THE EMPIRE CLUB OF CANADA

Founded 1903

Addresses
2001–2002

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THE EMPIRE CLUB OF CANADA

2001–2002

98th Year

Her Majesty Queen Elizabeth II
Queen of Canada
wearing Her Canadian insignia
as Sovereign of the Order of Canada
and the Order of Military Merit

THE
EMPIRE
CLUB
OF CANADA

Founded 1903

Addresses
2001–2002

God Save The Queen

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The Empire Club of Canada

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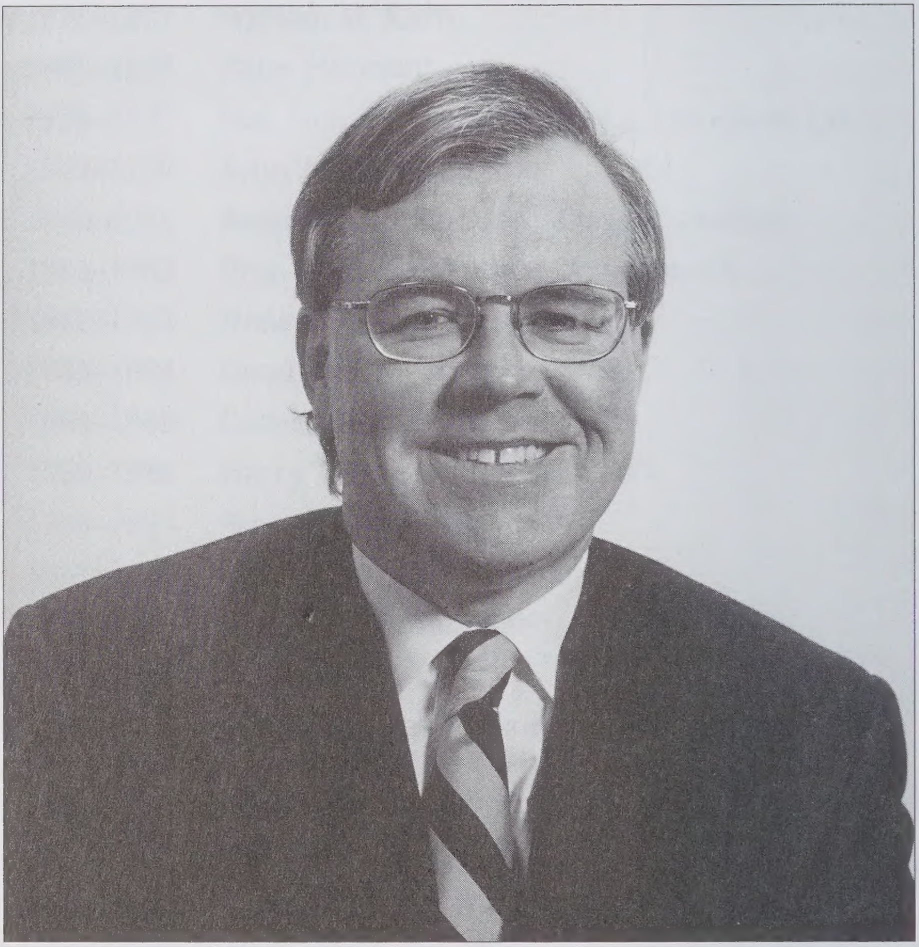


William D. Laidlaw
President, 2001–2002

The Empire Club of Canada
PRESIDENT'S FOREWORD

As I think back on my year as President of The Empire Club of Canada, I have only fond memories and I actually miss the excitement and the challenges that faced me every week. It was a lifetime experience that I would encourage all members of the Empire Club to consider having.

I met some fascinating people both as speakers and members of our organisation. Both Debbie Testa and Colin Wickham who are the staff at the club did an outstanding job helping me each week. I know how hard they worked! I hold a major debt to John Koopman and his team for the outstanding work that they did in organising each luncheon head table and sponsorship. As someone who has done this job in the past I know how much work is required. I especially want to thank those people who helped run every luncheon in organising the head table reception and greeting our guests. They are Ed Badovinac and his wife Jocelyn, Willis Blair, Sandy Cameron and Bill Duncan. I also want to thank the members of the board and the executive committee for all of their hard work and continued support. The staff at the Fairmont Royal York Hotel and Rogers Cable also deserve my appreciation for all the work they did.

It was my old friend Bob Watt who encouraged me to join the club in 1982 when I was relocated downtown and it was David Edmison, our former President, who encouraged me to get on the board and to become President. I thank both of these gentlemen. When I was preparing to become President I received a great deal of advice from a number of Past Presidents and board members. All of it very useful! The great challenge was getting good speakers and then to get bums in seats as I used to say. Well we did well on both counts and I believe we had a great list of speakers with a number of very happy participants and viewers on Rogers Cable.

I started out the year by welcoming our second speaker, The Honourable Jean Charest to Canada when I meant to say Ontario. I did survive the comment and went on to introduce a number of fascinating speakers including the contenders for the leadership of the Ontario PC leadership which included Elizabeth Witmer, Tony Clement, Ernie Eves and Jim Flaherty. Premier Mike Harris and John Snobelen also graced our stage along with the Leader of the Official Opposition, Stockwell Day. On the international front we had Jane Kennedy, Minister of State for Northern Ireland, His Excellency Mr. Jean-Claude Juncker, Prime Minister of Luxembourg, the President of the Republic of the Philippines, Her Excellency Gloria Macapagal-Arroya and lastly our Canadian Ambassador to France, Raymond Chrétien.

On the business side we had Gaylen Duncan, President of ITAC, Ian Gillespie, President of the Export Development Corporation, Richard Brown, Chair and CEO of EDS worldwide, Dr. Robin Jeffrey, Executive Chair, British Energy, Nicolas Le Pan, Superintendent of Financial Institutions in Canada, Mark Bruneau, President of Adventis, Alain Batty, President of Ford Motor Company of Canada, Derek Oland, President of Moosehead Breweries, Bill MacKinnon, Chair KPMG Canada, Norman Inkster, KPMG Investigation and Security Inc., Michael Dell, Chair and CEO of Dell Computer Corporation and lastly George Heller, President, Hudson's Bay. We also had our annual financial forum run by board members Blake Goldring and Margaret Samuel. The speakers were Michael McHugh, Jonathan Wellum and John Arnold.

On the cultural front we heard from Mark Starowicz, Executive Producer of "Canada: A People's History," Peter Herrndorf, Director General, National Arts Centre, Jeffery Simpson of The Globe and Mail, Rod McQueen author of a book on Martha Billes, Rex Murphy, National Columnist and CBC Commentator. We also heard from Douglas Blakey, Principal of Upper Canada College, former Ontario Premier Bob Rae on the Toronto Symphony and Professor Desmond Morton on Canada's military. Joining us as well were David McKinnon, President of the Ontario Hospital Association, The Honourable Margaret McCain on Toronto's "Early Years" study and Prince Michael of Kent. The Christmas luncheon was another great success chaired by Her Honour, Hilary M. Weston and we presented our community service award to Jill Mallett. We had a great year and all of our attendees and guests were graced with the best talk in town.

During the year we had 41 meetings with 8,200 people in attendance. We also were able to raise $105,000.00 through corporate sponsorships and student tables. I do want to thank all of our corporate sponsors for their generosity. I also want to thank David Edmison, Chair of the Empire Club Foundation, for his work in financing and producing the yearbook, listing our speakers' addresses. We also saw the passing of our old friend and board member Angus Scott during my term.

In closing I would be remiss if I did not thank my wife Sara, my daughters Kate and Liz, my brother Geordie and my sister Susan and my mother Isobel who watched me regularly on Rogers television and gave me the support and encouragement that I so appreciated.

It was a pleasure to be your President of the Empire Club for the year 2001–2002 and I wish the club and its many members all the best for the future.

William D. Laidlaw, President 2001–2002

TABLE OF CONTENTS

1 **Gaylen A. Duncan**
THE NETWORKING INSTINCT

19 **The Hon. Jean Charest**
MODERN QUEBEC IN A GLOBAL WORLD

30 **The Hon. Margaret N. McCain**
SIGNALS FROM THE FUTURE

42 **The Hon. James M. Flaherty**
POST-BUDGET ADDRESS

51 **Jan Grude**
CONSULTING AS A MAJOR GLOBAL INDUSTRY

66 **Stockwell Day**
A SINGLE DEMOCRATIC CONSERVATIVE OPTION

78 **Ian Gillespie**
TRADING UP: FAIR TRADE IN THE NEW GLOBAL ECONOMY

89 **Mark Starowicz**
THE CANADIAN EXPERIENCE: LESSONS FROM THE CANADIAN HISTORY PROJECT

105 **Jane Kennedy**
CURRENT DEVELOPMENTS IN NORTHERN IRELAND

116 **His Excellency, Jean-Claude Juncker**
EUROPEAN POLITICAL AND ECONOMIC ISSUES

127 **David MacKinnon**
SUPPORTING OUR EVERY-DAY HEROES: CURING ONTARIO'S HOSPITAL SYSTEM

137 **Richard H. Brown**
AFTER SEPTEMBER 11, TRUST IN EACH OTHER AND HOPE FOR TOMORROW

148 **Dr. Robin Jeffrey**
REPLACING NUCLEAR WITH NUCLEAR: A U.K. PERSPECTIVE

160 **Michel Vennat**
THE POWER OF INNOVATION: DRIVING SMALL BUSINESS GROWTH

170 **The Hon. Tony Clement**
THE FUTURE OF THE HEALTH-CARE SYSTEM

182 **Norman D. Inkster**
TERRORISM IN THE MODERN AGE: THE EVENT AND THE RESPONSE

194 **Jeffrey C. Simpson**
“THE FRIENDLY DICTATORSHIP”

208 **Peter Herrndorff**
THE MASSEY COMMISSION AT 50: DO NATIONAL CULTURAL INSTITUTIONS MATTER?

218 **Rod McQueen**
“CAN’T BUY ME LOVE: HOW MARTHA BILLES MADE CANADIAN TIRE HERS”

229 **Rex Murphy**
CANADA AFTER SEPTEMBER 11

240 **The Hon. Hilary M. Weston**
CHRISTMAS LUNCHEON AND SEASONS GREETINGS FROM THE HON. HILARY M. WESTON

245 **Photographs**

303 **John Arnold, Michael T. McHugh, Jonathan M. Wellum**
2002 INVESTMENT OUTLOOK

320 **The Hon. James M. Flaherty**
FULFILLING OUR DREAMS: ONTARIO’S PATH TO GROWTH AND PROSPERITY

330 **The Hon. John Snobelen**
COURAGE AND WILL

340 **J. Douglas Blakey**
A PRIVATE SCHOOL WITH A PUBLIC PURPOSE

352 **Her Excellency, Gloria Macapagal-Arroyo**
ECONOMIC OPPORTUNITIES IN THE PHILIPPINES

360 **Nicholas Le Pan**
FINANCIAL SECTOR REGULATION: PARTNERING FOR SUCCESS

370 **Mike Harris**
EDUCATION REFORM IN ONTARIO

381 **The Hon. Bob Rae**
KEEP THE MUSIC PLAYING IN TORONTO

391 **Elizabeth Witmer**
MY VISION FOR ONTARIO

400 **The Hon. Tony Clement**
REJUVENATE, RE-CONNECT, RE-EARN

410 **Ernie L. Eves**
COMMON SENSE AND COMPASSION DO CO-EXIST

420 **His Royal Highness, Prince Michael of Kent**
THE SMALL AND MEDIUM ENTERPRISE SECTOR IN THE EMERGING ECONOMIES OF EASTERN EUROPE AND RUSSIA

434 **Mark Bruneau**
TELECOMS CONVERGENCE: FOCUSING INNOVATION AND REVERSING CANADIAN TALENT FLIGHT

447 **Alain Batty**
FORD MOTOR COMPANY—THE NEXT TEN YEARS

458 **Michael Dell**
LIVE ONE-ON-ONE WITH MICHAEL VAUGHAN, HOST OF ROB-TV'S "BOTTOM LINE"

475 **Derek Oland**
BIG FISH FROM LITTLE PONDS: CAN CANADA'S REGIONAL COMPANIES SUCCEED IN THE GLOBAL ECONOMY?

489 **His Excellency, Mr. Raymond Chrétien**
CANADA, FRANCE AND EUROPE: IS THE ATLANTIC OCEAN SHRINKING?

500 **Desmond Morton**
NATIONAL DEFENCE: A LITTLE COMMON SENSE

514 **Bill MacKinnon**
POST ENRON: ACCOUNTANTS AND ACCOUNTABILITY

527 **George J. Heller**
THE CHANGING CANADIAN RETAIL LANDSCAPE

540 **In Memoriam**
Angus C. Scott

543 **Annual General Meeting**

555 **Membership**

565 **Financial Statements**

571 **Empire Club Foundation**

581 **Constitution**

May 3, 2001

Gaylen A. Duncan

President and Chief Executive Officer, Information Technology Association of Canada (ITAC)

THE NETWORKING INSTINCT

Chairman: **Bill Laidlaw**
President, The Empire Club of Canada

Head Table Guests

John Sadler, Managing Director, Genoa Communications Management and Director, The Empire Club of Canada; The Rev. Dr. Robert Pierson, Rector, St. Philip's Anglican Church; Bhavna Patel, Senior Student, Parkdale Collegiate Institute; Michael O'Neil, Country Manager, IDC Canada; Everett Anstey, President, CEO and Chairman, Sun Microsystems of Canada Inc.; Doug Hull, Director General, Industry Canada; George D. Anderson, President and CEO, Insurance Council of Canada and Director, The Empire Club of Canada; Ashraf Dimitri, President, Oasis Technology; Bob Morine, Vice-President and General Manager, Public Sector, IBM Canada; and Ewan McArdle, Partner, Ridout & Maybee LLP.

Introduction by Bill Laidlaw

The information highway meant something quite different in the 50s than it does today. In that period for me it meant a game my mother played with my brother and I on our regular trips to Myrtle Beach when we read to her the information on all of the billboards on the side of the highway. Information then was what Dave Garroway and Arthur Godfrey were pitching. Remember them?

Today it is something completely different. If you have not embraced it, it will soon leave you in the past. My children today are so informed it puts me to shame. Governments, corporations, educational institutions make it a key strategy for their planning process.

Today we are fortunate to have as our speaker Mr. Gaylen Duncan, President and CEO of the Information Technology Association of Canada. Mr. Duncan's address today will be The Networking Instinct. I might add this will not be addressing how we might schmooze better at business functions but is rather the subject of distributed networked intelligence or DNI. This does sound somewhat puzzling to a layman like me but I am told that this innovation has had a major impact on mankind's capacity to innovate and solve problems. Apparently only half of the world participates in this network in any capacity.

Today, in celebration of Canada's IT Week, our speaker will discuss the progress we have made in this area and the work that has yet to be done.

Mr. Duncan is a senior executive with a broad range of experience in the public and private sectors. He was appointed CEO of ITAC in 1996. Previously, he held senior management positions with Central Guaranty Trust, Canada Mortgage and Housing, the Canadian Centre for Justice Statistics and most recently he created his own company Second Step Solutions that specialises in information technology strategies for government.

Gaylen has a PhD from the University of Texas in Austin and LLB from Dalhousie.

In addition to this, he is a member of the National Research Council's Advisory Committee on the Industrial Research Assistance programme, a member of the Round Table on E-Business Opportunities and Co-Chair of the Conference Board Advisory Council on Canadian Connections.

Please join me in welcoming Gaylen Duncan to the Empire Club.

Gaylen Duncan

Whether you celebrated on January 1, 2000 or whether you held out with the rest of us until 2001, the controversy is over. We are now, incontestably, in the early days of a new millennium.

One of the by-products of this change in the calendar is reflection. And that reflection prompts lists. You've seen them—the greatest leaders of the last 2000 years, the greatest novels, the finest works of art, and so on.

One of the most thoughtful examples of this trend is a book called "The Greatest Inventions of the Past 2000 Years," by John Brockman. Brockman is an author and literary agent who operates an invitation-only website called Edge. Edge is designed to give leading scientists and thinkers a place to communicate their ideas in a lively, challenging forum. Brockman likes to get the discussion rolling by posing deliberately ingenious questions like: "Where did the human mind come from?" and "Where did the universe originate?"

In 1999 he posted the question: "What is the single most important invention in the past 2,000 years?" Responses ranged from the predictable—the printing press, the electric motor and the pill—to the obscure. Someone suggested the 33-year English Protestant calendar, whatever that is.

Some contributors went out of their way to champion the banal—mirrors, chairs and the axe. Others favoured the arcane—the universal Turing machine and von Guericke's static electricity machine.

Like any academic discourse, the whole process quickly became a game of one-upmanship. Contributors were deliberately provocative. The artist Henry Warwick, stealing a page from Seinfeld, proposed "nothing." And like good intellectuals, the participants cheated like crazy. They insisted that an idea could be an invention. So fully half the suggestions in the book are not classic inventions at all, but notions like free will, quantum theory and even "the idea of an idea."

They also completely ignored the parameters of the question. Many suggestions like the alphabet, geometry and the numbering system predated Anno Domini. But the preponderance of suggestions clearly favour late entries like the computer, robotics and the Internet.

It's his book, so Brockman gets to place a bet, too. He proposes that the most important invention of the past 2,000 years is something he calls DNI or distributed networked intelligence. This is "the externalised mind—the mind we all share, the infinite oscillation of our collective consciousness interacting with itself, becoming aware of itself, adding a fuller, richer dimension to what it means to be human."

Maybe it shouldn't surprise us that the guy who asks the question comes up with the best answer. I like Brockman's contribution for a number of reasons. It's what I would have said. But the poetry and power in the suggestion comes from its place in time. The struggle to create DNI has taken millennia. Its impact was barely recognised until the late twentieth century. Unlike geometry or the alphabet, which have manifested themselves throughout our past, the full implications of DNI await the future. It is a superb bridge between all that went before and all that lies ahead.

It's a very calculated suggestion. The "I," for intelligence, in one fell swoop incorporates every other invention and idea in the book. And the words "distributed" and "network" internalise all the advances in computing and network-building from calculus to the Internet. The sneaky part of Brockman's proposal is that it's a showstopper. DNI represents the full flowering of human achievement so far. Tag, no touchbacks.

In fact, the only objection I can offer is that DNI isn't actually fully invented yet. It is a work still in progress. The network which unites and distributes our collective intelligence is only half-built. It currently embraces less than half of humanity, leaving the other half unable to access and unable to contribute to this collective intelligence.

And that brings me to the thesis of my remarks to you today. Like Brockman, I fervently believe that what he calls distributed networked intelligence is the greatest monument to our species' experiment with civilisation-building so far. It is perfectly reasonable to call it the greatest invention not just of the past 2,000 years, but of all our history. But I will argue that it will take a significant amount of inventiveness to complete the task of extending the benefits and responsibilities of DNI to everyone on earth. A huge task still lies ahead.

What I'd like to do with the time you've permitted me is to chart a bit of history of how we got DNI to its present state, particularly in Canada. Then I'd like to examine the implications of leaving the job unfinished. And then I'd like to tell you about some of the things that governments, corporations and individuals are doing to expand the network.

I've titled this presentation "The Networking Instinct" and I would argue that, along with hunger, fear and sexuality, networking, too, is a primal instinct. When you stop and think about it, the first devices for distributed networked intelligence were campfires. Around the campfire, pre-verbal hunters and gatherers learned to share information about good locations for hunting and new techniques for bringing home food. Before we had formal symbols for communications we had an instinct for sharing intelligence. And the preponderance of mankind's technological advancement ever since has been focused on finding new ways to facilitate this instinct.

We invented numbers and letters to encode intelligence and make it easier to transmit. We invented universities, printing presses and moveable type to concentrate this transmission. Some of our most unlikely advances are instruments of the distribution of intelligence. For example, Alun Anderson, editor of New Scientist, argued in Brockman's book that the fifteenth-century Portuguese caravel was the greatest invention.

He wrote a lively essay on its history and sang the praises of its precociously sophisticated design. But in the end, what use is a caravel lying at anchor in the ship-yard? It derives its power from its capacity to brave the stormy seas to link old-world intelligence with the new.

Maybe this tendency to boil everything down to communications technology reflects a Canadian world view. The British and the Dutch, close-quartered in teeming European cities, may have seen sailing ships and canoes as instruments of commerce. But we, isolated in geographically dispersed outposts, saw them as more than that. They were the media for news, intelligence and innovation. They provided the vital links to wider humanity that made life in the wilderness bearable and made settlement possible.

As settlement expanded and we dreamed of nationhood, our technological advances to create community became more sophisticated. We built roads and canals. For Canadians, the networking instinct was an imperative. And we built a railroad, that became a symbol of our collective desires and aspirations. A simple transportation system could never seize the imagination of a nation. For Canadians, the railroad wasn't about locomotion; it was about a dream of a network of communities from sea to sea. Canadian history reflects this understanding of the importance of railroads as devices for distributed networked intelligence.

With this deep-rooted appreciation for community-building technology, for its capacity to bridge distance and vanquish loneliness, it's not surprising that Canada today aspires to be the most connected country on earth. The simple truth is that we're good at building networks. And, fortunately, this innate talent positions us well for leadership in a world increasingly focused on connectivity.

We are already one of the most wired nations on earth. More than 98 per cent of Canadians' homes have both a telephone and a television. Nearly 90 per cent of Canadians have access to cable TV. And 96 per cent are linked to a digital switch. We are avid users of paging and cellular services. One in every six Canadians now has a wireless phone or device. We are world leaders in our use of the Internet and we are making significant strides in the area of high-speed broadband access. There are approximately 700,000 users of cable modems in Canada, only four years after their market introduction. We boast a world-class telecommunications infrastructure and the world's longest fibre optic network. We have the platform for distributed networked intelligence in Canada. We've built it with private capital and public will.

We also have a community of policy-makers who understand how important networks are to our national identity.

They have, for example, ensured that Canada shall maintain unregulated access to the Internet. They have been quick to grasp the new realities of electronic communications and have implemented timely policies to ensure the protection of personal privacy. They have also ensured a tax regime that encourages, rather than hinders, online commerce. These progressive policies can be found in all levels of government throughout our country.

But the network instinct isn't restricted to Canadian elites. Our culture enshrines connectedness. We are proud that some of the greatest Canadians have made profound contributions towards broadening our understanding of it. We are proud of the contributions of Innes, McLuhan, and Grant and follow with interest those who maintain this intellectual tradition—people like Derek de Kerkhove, Arthur Croaker and my friend Don Tapscott.

Canadians are not only avid users of the tools of connectivity. They are also becoming increasingly aware of the transformational powers that these tools possess.

In 1999, as we were preparing for the millennium bug, ITAC grew concerned about the impact the whole Y2K experience might have on our reputation. So we asked Canadians what they thought of us. We asked them to rank four industries in order of their importance to the economy and Canada's future. They ranked IT second to the primary resources industry. That was a little disappointing, but perhaps not surprising. Then five months after Y2K, we went back to check if we'd dropped in their estimation. By May, the IT sector had surpassed the primary resources sector in all parts of the country, even those regions heavily dependent on the resource industry. There is a clear, general recognition among Canadians that the tools for collecting and sharing information are integral to our future success. I think this is another manifestation of just how well-developed the network instinct is in Canada.

But the strongest manifestation of all is the way this instinct finds expression in Canadian behaviour. From Alexander Graham Bell's first long-distance call between Brantford and Paris, Ontario, to CaNet III, it's in our nature to connect. We have long ranked among the world's most prodigious telephone talkers. And we're quickly showing a comparable affinity for the Internet. We have the highest rate of home-computer penetration in the OECD. And, as of March, 1999, all Canadian schools that chose to be were connected to the Internet.

It was a magic moment that spring. A small boat full of technicians and satellite equipment set out across the Northumberland Strait for Pictou Island. They had a meeting with Tracy Langille who teaches at the school on the island. Tracy has a class of three students. They work in a one-room schoolhouse with all the resources she can muster.

Today those resources include access to the wealth of knowledge available via Schoolnet. Not only does Schoolnet contain a huge repository of information and study guides, it also provides an interactive forum for peer-to-peer learning. This means that a student in Tracy's class can connect with a student in a First Nations school in Alberta, and learn first-hand how life on a Prairie reserve compares with life on a tiny island in the

Atlantic. Schoolnet is also a catalyst to encourage students and teachers to publish their own materials and create and share their own curriculum online. It is a learning instrument that emphasises the message and the medium in equal measure.

I am pleased to have Doug Hull with us this afternoon. It was his vision and commitment and his inspired unorthodoxy that got Schoolnet built. His energy continues to advance Canada's connectedness on so many fronts.

Doug is one of a growing army of Canadians from coast to coast who are compelled to do everything they can to advance the cause of distributed networked intelligence. They are finding creative ways to foster connectivity even in places where economists and network engineers say it shouldn't grow.

The town of Gore Bay occupies a picturesque harbour on Manitoulin Island. This is "rainbow country." Most of us think of it as a great place to get away to. But for Manitoulin Transport, it's the site of their national headquarters.

Manitoulin Transport specialises in "less than load" trucking, providing service to anyone who wants to ship freight anywhere in North America. It operates all across Canada and competes effectively against larger transport companies.

Competing effectively means delivering superb customer service and controlling costs. These two factors compelled Manitoulin Transport to explore an electronic solution for delivering load information to customers on a 7/24 basis.

Intuitively, an Internet-based system made a lot of sense. But in 1996, when they first began to think about it there was one small problem. Manitoulin Island had no Internet point of presence.

But the transport company's business plan required Internet access. So it teamed up with Ontario Northland

IT Solutions to bring the worldwide Web to God's country. By agreeing to acquire a web server and to provide the real estate to house it, Manitoulin Transport changed the economics of Internet service on the island. In essence, the community's largest employer brought the Internet to Manitoulin Island.

The company not only houses the server but it also allows the community Internet traffic to piggyback on the Hyperstream links that it leases from Bell Canada. Today there are 400 households on the island that have an Internet connection thanks to this partnership.

Remote regions are particularly vulnerable to the prospect of becoming have-nots in the digital economy. Fortunately, in many rural communities, champions have emerged to prevent this from happening.

If you travel east from here on the 401, just past the Thousand Islands you'll come to the county of Leeds Grenville. It's a beautiful, predominantly farming community that lies to the south of Ottawa-Carleton. The digital economic boom of Silicon Valley North lies right on its doorstep. But connectivity in Leeds Grenville varies from low to slow. You could say the digital divide starts at the county line.

But Vic Allen wasn't going to let that happen. He decided over four years ago that connectivity was every bit as important in his community as it was in the wired capital to the north.

In April of last year, he created Upper Canada Networks (or UCNet for short). Its mission was to bring the benefits of wireless broadband service to users throughout the county.

Starting with a pilot wireless project at its Kemptville headquarters, UCNet has started installing 17 telecommunications towers and a grid of fibre-optic lines that will ultimately link 212 villages and towns with high-speed, high-capacity access, affordably priced.

What's unique about UCNet is its business model. The company is a not-for-profit enterprise that owes a lot to the farm co-operative movement.

It has significant seed capital from the provincial and federal government, but it must match this by raising $3 million on its own. To do this, the company is selling memberships to businesses, institutions, municipalities and home users.

Vic Allen believes, fervently, that high-speed connectivity will bring immense social and economic benefits to the people of Leeds Grenville—improved educational opportunities, better health care and better business. He believes Upper Canada's service will even benefit the farmers who are the back-bone of the county economy. Through the magic of wireless, they will be able to watch market trends and make crop transactions from the seat of their tractors or from their dairy barns.

Whether we're standing in a field north of Prescott or sitting in front of a trader's terminal at the Toronto Stock Exchange, we are a wired nation. Exploring the potential of the network has become a national preoccupation. Filmmakers are using it to scout locations. Pinchas Zuckerman, the maestro of the National Arts Centre Orchestra, is using it to give violin lessons to students all over the world. Many artists have put down their paintbrushes and chisels to play with new tools like scanners and e-mail. Nancy Paterson, for example is using real-time market data to raise and lower the hem of an installation she calls Stock Market Skirt. The anonymous cyberpunk who said that the Internet changes everything wasn't kidding. Networks are fundamentally changing—for the better—the way we work, live and play. Canada is on the leading edge of this transition. So are many other industrial nations. But as I said earlier in my presentation, this is not pervasive throughout the world.

At one of the earliest meetings of the G7 to discuss the information highway, Thabo Mbeki, then deputy-president of South Africa, delivered a keynote address that stopped the discourse in its tracks. He did this in a room full of the world's most powerful men by simply stating two facts. First, he pointed out that there are more telephone lines in Manhattan than in the whole of sub-Sahara Africa. Then he reminded the audience that half the world's population has never even made a single telephone call. In two strokes Mr. Mbeki defined what has since been called the "digital divide." The digital divide has been charted in a variety of ways. One measure is an ITU tool called teledensity which charts the number of telephone main lines per 100 people. The 1998 teledensity figures showed countries like ours, Sweden and the United States at the top of the pole with 63–67 lines per 100 people. The world average teledensity is 15.

Countries like Saudi Arabia and China chart much lower. But the really troubling part of this indicator is the large number of countries with less than one line per 100 people. These include Haiti, Kenya, Sierra Leone, Bangladesh, Tanzania and Uganda.

When we measure Internet use, a similar picture emerges. IDC (International Data Corporation) places developed countries like Iceland, Sweden and Singapore at the top of the list along with Canada and the U.S. Others like Qatar, Malaysia and the African countries scrape in at less than 5 per cent of the total population. Infrastructure and availability are key obstacles, but so is cost. The average South African Internet user has an income seven times the national average. Ninety per cent of users in Latin America come from upper-income groups.

In practice, the digital divide reflects the mirror opposite of the benefits I talked about earlier. South Africa is the best connected African country, but even today many hospitals and 75 per cent of schools have no telephone line. AIDS is a huge problem that threatens to disrupt the stability of the whole African continent. The front line of the battle against AIDS are places like Mkuki, which is a community resource centre at the foot of Mt. Kilimanjaro in northern Tanzania. Unlike hospitals in Toronto, it cannot boast remote diagnostics and consultations; it has no tele-radiology or telephone connectivity—wireless or land line. The nearest public phone booth is in the next major town, 27 kilometres away.

It's an equally bleak picture in education. The Nairobi University Medical School library is considered one of the best in the region. It receives 20 medical journals compared with the 5,000 that can be found in an average North American med school.

In Brazzaville, Congo, the university has only 40 medical books and a dozen journals, none of them more current than 1993. In Harare, Zimbabwe, the one public library has stock from the 60s and 70s and not a single computer screen in the two-storey building. Simple, basic access to the Internet would make an exponential difference in cases like these.

This is what Kofi Anan means when he talks about the digital opportunity. He recently said: "The digital revolution has unleashed an unprecedented wave of opportunity. Used responsibly, it can greatly improve our chances of defeating poverty."

Canadians long immersed in the digital revolution understand intuitively how this can happen.

At the recent State of the World Forum held in New York, Huguette Labelle, the former head of CIDA, noted: "I have seen cotton pluckers in Africa getting one-fifth of the prevalent price because they didn't have access to price information on the Internet and thus were solely dependent on middlemen. The opportunities are there to de-isolate the isolated, to de-exclude the excluded."

For many of us, the digital divide just doesn't make any sense. In my industry, we follow a principle called Metcalfe's Law. Metcalfe's Law, simply stated, suggests the value of a network increases exponentially as the cost of the network increases linearly. Each node on the network mathematically delivers more value than the last. This is certainly demonstrated in terms of network investment. But it is also true in terms of distributed networked intelligence.

This is an important point frequently overlooked in all the discourse around the digital divide. We talk about the need to connect the unwired world based on a presumption that the South will benefit from the knowledge of the North. But the South has a tremendous wealth of knowledge to share as well.

Nairobi University is a case in point. It sits in one of the most disease-ridden environments in the world. People in the region have been treating these illnesses for millennia. Maybe they know something about immunology that we don't. Even if they can't cure the diseases, they can probably describe the symptoms more accurately than researchers in Boston or London.

The South has knowledge the North needs. We can get as smug and self-congratulatory as we like about our tremendous digital networked intelligence. But as long as it only embraces half the world's population, it isn't the achievement that it must be.

As I said earlier, it will take great inventiveness to complete the job. But we simply must do it.

Fortunately, the importance of this task has seized the imaginations of many resourceful, smart people. In the time remaining, I want to share a few of the strategies that drive their networking instincts.

Exploring the digital opportunity has become core business for many international aid agencies. The UN Development Program, for example, has launched three technology access community centres in Egypt. Each centre is equipped with computers and Internet access and is located in a public building accessible to all citizens. The centres offer access, of course, but also training in computer literacy, desktop publishing and technical support.

These skills in turn can be deployed for tele-medicine and electronic commerce applications. By offering these tools free to anyone in the community, the skill base for more sophisticated applications and programmes will expand.

Governments, of course, are key players in the drive to bridge the digital divide. A number have made this a national policy priority. The Prime Minister of India for example has declared, "We are determined to remove all the hurdles of policy and implementation in the path of rapid expansion of telecom and the Internet in India. It is our endeavour to create a proper harmony between the traditional economy and the IT-driven New Economy." To this end, and recognising its distinct advantage as the largest source of programming professionals in the world, India has launched an aggressive programme of tax incentives and other measures to lure investment in software development and to expand connectivity.

Estonia is another example. President Lennart Meri has recognised that small can be beautiful for universal access. With a population of only 1.4 million to connect, he's charging ahead. He has created a network of public access points throughout the country and has launched something he calls the "Tiger Leap" programme.

It provides Internet-based learning resources for all Estonian pupils. This has rapidly modernised education in Estonia and made a huge impact on penetration rates. Estonia now ranks among the top-15 countries in Europe for computer and Internet use. Those of us who believe in the democratising power of the Internet will be pleased to learn that this strategy is also credited with a swift transition for Estonia from Soviet economics. It is expected to be the first Eastern-bloc country to earn admission to the EU.

Sometimes governments need help and I'm pleased to say that they can frequently find it from my industry. Cisco Systems, for example, commits significant resources to the Cisco Networking Academy Program.

This is a global training programme that teaches students throughout the world to design, build and maintain the networks that will distribute our intelligence in the future.

There are over 3800 Networking Academies in 70 countries worldwide. If you've ever had the good fortune to meet some of their students, you'll understand how strong the networking instinct is among young people.

Another example is how Lucent Technologies, the world's biggest telecommunications equipment supplier, demonstrates its commitment through programmes such as Lucent Links and its Youth Development Program in India.

The Lucent Links programme brings together young people around the world who ordinarily would not communicate with one another, either face-to-face or through technology. The $50-million programme uses technology to engage young people around issues of inclusion, diversity and technology and is designed to help them develop leadership skills and the cultural competencies necessary to live and work in a multicultural community.

The Youth Development Program funds vocational training and the education of homeless youth in India. These young people learn and develop skills which enable them to self-help, and grow into engaged and productive citizens.

Sometimes the drive to bridge the digital divide becomes a personal crusade. I know an IT entrepreneur from Calgary who is a fervent believer in Metcalfe's Law. At the Beijing Plus Five Conference in New York in June, he met a woman from Cameroon who heads a group of 3,000 woman entrepreneurs. They have all been trained in computer technology and the principles of electronic commerce. They have goods to move and a centre to operate from.

Their biggest barrier to entering the global e-commerce marketplace was the prohibitive cost of a satellite connection. Anxious to see if Metcalfe was right, he simply wrote her a cheque. And now the women of ASAFE are about to encounter a market beyond their wildest dreams.

This initiative inspires me. We can look at the digital divide as a vast, impossible task. We can give up and stay home, content with a half-completed network. But this isn't the spirit that has built the network so far. If there's one thing that has characterised the networking instinct, it's tenacious determination to overcome obstacles. The solutions I've outlined illustrate the wide array of approaches to this, from the simple to the complex, from the institutional to the individual. They illustrate that there is no one correct way to finish this job. It calls for a variety of approaches. It will take all our ingenuity and all our commitment to do it.

We are about to begin Canada's IT Week. It is a national celebration of our connectedness and it salutes the creativity, innovation and enterprise of Canadians in the IT field. IT Week will be celebrated in conferences, seminars, open houses and community events all across the country. ITAC along with the IT Week sponsors—Intel, Microsoft Canada, IBM Canada and Pricewaterhouse Coopers—is proud to collaborate with Industry Canada on this initiative.

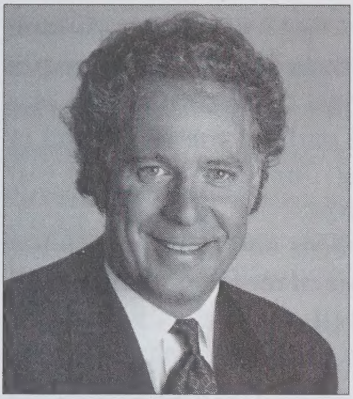
Canada has a great deal to be proud of. Canada also has the potential to show the rest of the world how to achieve and profit from a high standard of connectedness and technological leadership. So I'm confident IT Week will be a great success.

But I hope that somewhere among all the dialogue that IT Week generates, we'll take the time to consider how far we've come in creating distributed networked intelligence. And I hope we'll also consider how much lies ahead if we are to deliver the benefits of connectivity to all Canadians and ultimately to all humanity. I hope IT Week provides the inspiration for new ideas and new strategies for getting this job done.

We can bridge the digital divide. We must. This unwavering human instinct for networking is an unstoppable force. It has brought us tremendous benefit. But only when the network embraces all of humanity will we have an achievement truly worth celebrating. Let's get on with it.

The appreciation of the meeting was expressed by George D. Anderson, President and CEO, Insurance Council of Canada and Director, The Empire Club of Canada.

George D. Anderson, President and CEO, Insurance Council of Canada and Director, The Empire Club of Canada and Gaylen A. Duncan, President and CEO, Information Technology Association of Canada (ITAC).



May 8, 2001

The Hon. Jean Charest

Leader of the Official Opposition, Quebec National Assembly

MODERN QUEBEC IN A GLOBAL WORLD

Chairman: **Bill Laidlaw**
President, The Empire Club of Canada

Head Table Guests

The Hon. Tom Hockin, PC, President and CEO, The Investment Funds Institute of Canada and Director, The Empire Club of Canada; Reverend Canon Paul Feheley, Rector, St. George's Anglican Church, Oshawa; Caitlin Curran-Blaney, Grade 12 Honour Student, Peer Counsellor, Appleby College, Oakville; Thomas d'Aquino, President and Chief Executive, Business Council on National Issues; The Hon. Barbara McDougall, President and CEO, Canadian Institute of International Affairs; The Hon. David Peterson, Chairman, Cassels Brock & Blackwell LLP; The Hon. Michael Meighen, Senator, Senate of Canada and Counsel, Meighen Demers; Michele Dionne, Special Education Teacher; Ann Curran, Director, Corporate Development International and 1st Vice-President, The Empire Club of Canada; Elizabeth Laidlaw, Grade 12 Student, St. John's College, Brantford; Dr. Sherry S. Cooper, Global Economic Strategist, Bank of Montreal Group of Companies and Chief Economist, BMO Nesbitt Burns; The Hon. Michael H. Wilson, Chairman and CEO, RT Capital Management Inc.; and John Sheridan, President, Bell Canada.

Introduction by Bill Laidlaw

We are very fortunate to have an individual like Jean Charest in public office in Canada. Being a politician today in Canada is a challenging endeavour. Leading a political party at the provincial or national level is even more challenging. Just look at what our current national leaders are facing these days.

Our guest today has faced many challenges and in each case has risen to the occasion. I had the good fortune of meeting Jean in 1989, and I remember that meeting very well. He was a seasoned politician, still very youthful in appearance, with a nice smile, a good sense of humour and a great head of hair. He was genuinely interested in my opinion of Quebec's role in Canada. I remember telling him how so many of my French-Canadian friends had such an appreciation of Canada and how important it was for Quebec to remain part of Canada. Travelling across its vast expanse and seeing how Canadians thought and acted gave me an appreciation of our desire to stay together as a nation. Jean shared with me his experiences of working on the Great Lakes as a student and his travels throughout Canada and the world. Quebec and Canada were very important to him.

From that point on I became a supporter and a friend. I have followed him through many adventures: as minister in the cabinets of our former Prime Minister Brian Mulroney, as chairman of committees looking at the Meech Lake Agreement, and as a leadership candidate for the Progressive Conservative Party. He lost and I still remember how sad I was on that day. However, he bounced back. He became a minister in Prime Minister Campbell's cabinet, one of two elected Tories in Canada, leader of the party, and Vice-President of the "No Committee" representing Quebecers in the 1995 Quebec Referendum. Who will forget his speech in Montreal that day? He was re-elected in 1997 leading an even larger number of Tory MPs to Ottawa.

Jean then heard the calling of so many Canadians and Quebecers to leave the leadership of the PC Party in Canada to become Leader of the Quebec Liberal Party in April of 1998. He was elected as a MNA in November of that year and then Leader of the Official Opposition. Jean has served superbly as leader of his party bringing members of many different parties under one tent to put forth an alternative to the government of the Parti Quebecois. We all continue to follow you, Jean, and wonder how you do it. I know how your wife and children love and support you.

Today, you will address our club on "Quebec in a Global World" and bring us back to our discussion so many years ago on how important it is for Quebec to stay as part of Canada and what an important role it can play in a global economy.

I introduce you to Jean Charest, MNA, a man whose work is still in progress.

Jean Charest

Ladies and gentlemen:

Canada has made significant gains over the last decade. The Canadian economy is much healthier, as is shown by its unemployment rate, now below 7 per cent.

Our companies are successfully negotiating the transition to new technologies. Today, Canada's position in the so-called knowledge economy is firmer.

The state of our public finances has also significantly improved. The enormous federal deficit is now a thing of the past and has been replaced by abundant surpluses. The provinces have also begun generating surpluses or balanced budgets. We have also begun paying down our debt.

Internationally, our economy is also performing much better. Free trade with the United States and Mexico has been a boon to the Canadian economy. Exports have been the main catalyst of growth during the last 10 years.

There are many causes for optimism as the future looks brighter than it did 10 years ago.

But we now face new challenges. Globalisation represents great opportunities for all Canadians. But at the same time, globalisation generates its own threats. We must better understand and prepare for the consequences of a global economy.

The creation of a Free Trade Area of the Americas extending from Baffin Island to Tierra del Fuego is an ambitious project that will benefit Canada and the entire hemisphere, provided it is implemented appropriately. Freer trade is good for all of Canada. We have one of the more open economies of the world. We rely on external markets to sell 40 per cent of the goods and services we produce each year. And with the slow growth of our internal market, exports will continue to be our primary source of future growth. We therefore need free and secure access to world markets.

One thing we must make sure of is that globalisation of markets does not serve to widen the gap between the rich and the poor. Freer trade and the technological revolution, the two components of globalisation, must be targeted at one objective: improving the well-being of all citizens. We must never lose sight of this fundamental goal.

One of the reasons many Canadians express doubts about globalisation is that they're not sure they will be better off in the long run. Canadians agree that our economy is in a much better shape than it was 10 years ago. But on an individual basis, many feel their own situation is not much better than it was a decade ago.

In large part, Canadians feel that they have not been receiving quality services from their governments in return for the taxes they pay. Of course, part of this feeling can be explained by the fact that a major portion of their taxes must go to financing debts from the past. Now that budget deficits have been eliminated, paying down public debt will represent a major challenge. The time has now come for governments to establish a clear plan to reduce debt. The sooner that happens, the sooner we will have the leeway needed to pay for better services.

But more money for services is only part of the solution. Canadians expect better delivery of services from their governments. And that is particularly the case when it comes to health-care services. We must find ways to be more efficient.

The questions we must ask ourselves are the following: Are we well equipped to face the challenges of globalisation? What are the things we must do to make sure Canada, and in my perspective Quebec, become world leaders of the new economy? And what must we do to insure that Canadians are all better off?

For one thing, a united Canada has worked very well for us in the past and will continue to do so in the future. For Quebec, being part of the Canadian federation and the Canadian common market is a very powerful tool in helping to build a modernised and successful economy. The best illustration of this is the relative influence we have on the world stage compared to the relative size of our population and the relative size of our economy. Notwithstanding our small population, we have had an important influence on world affairs.

Our federal system of government is made to measure for the challenges ahead. Fathers of federation were true visionaries. I can think of no other country better positioned than we are to take on the new world.

Within the new FTAA, the United States will outweigh by far in terms of economic strength and size of population any other country of the future free trade zone of the Americas. Because of its political and economic influence, Canada can become a strong ally of all other countries of the Americas and act as a significant counterweight to the American influence.

We share with our future Latin partners the fundamental objective to protect and promote our cultural identities in a new global economy. We have succeeded in including a clause of cultural exemption in the FTA and NAFTA. And the fact that there will be four official languages in the new FTAA will only make our case stronger as we discuss these issues with the United States.

Canada's commitment to bilingualism has given us a stronger and more influential role in world affairs. The Canadian passport that we are each entitled to as a Canadian birthright symbolises our commitment to Canadian values. Carrying a Canadian passport means a welcome in every country in the world.

Globalisation represents a strong case for a bilingual and united Canada.

This being said, there are things we must improve in the Canadian federation in order to be successful in a global economy.

Our economy is more competitive than it was 10 years ago. Our tax levels have been reduced, but not enough. We still have some way to go to be fiscally competitive with our neighbours and this is particularly true in the case of Quebec where citizens are the highest-taxed people in North America.

The single most important source of our success will be the people of Canada. If we want to become a leader in the new economy, we must invest in education. We must adapt our schools, colleges and universities to this new environment.

If we want Canadians to benefit from globalisation, we must give them the opportunity to acquire the necessary knowledge and skills to be successful in the new economy. Education will go a long way to making sure a global economy will not translate into a greater gap between the rich and the poor. Education is still the strongest tool we have to combat poverty.

A strong economy must also rely on a strong health-care system. Canadians share the value of a universal and publicly funded health-care system. But they expect their governments to improve the delivery of services. They want to have access to quality services when they need them. It is up to governments to find ways to better deliver those services.

It is well worth reminding ourselves that a strong and efficient health-care system does make our economy more competitive. Businesses will be more and more inclined to locate where their employees and management can rely on good health-care services at a reasonable cost. Health costs to business are ballooning in the United States. A strong health-care system will give Canada a competitive advantage.

Health issues are not just about hospitals. They are about the food we eat, the water we drink and the air we breathe. Trade issues aren't just about goods and services. Trade issues must also be about the quality of the food we eat, the water we drink and the air that we breathe.

Our first duty is to ourselves and to each other. Trade is about increasing our standard of living. The role of government is to protect and increase our standard of life. We must firmly reassert the power of government to do what must be done to protect and promote our well-being and our standard of life. As we deal with these issues, in the context of our federal system of government, we must ask ourselves which level of government is best to act on our health-care system, educational system, the environment and health-related issues?

A good place to start is to remind ourselves that the closer the government to the people the more efficient it is in the delivery of services. Provincial administrations are in the best position to develop and tailor programmes to suit local realities. It is up to provincial governments to show leadership in these areas.

It is in these areas of provincial jurisdiction that the pressure is strongest on public spending. And this trend will only grow stronger with time. In education, health and social services—three areas under provincial responsibility—spending by the provincial governments has surged from $107.1 billion in 1991–1992 to $125.5 billion in 1998–1999. Growth in spending has occurred at a rate of 17.5 per cent. Spending on education, health and social services accounts for about 60 per cent of provincial government budgets, which gives you an indication of just how strong pressure is likely to become in the future.

The federal government has not been confronted with any comparable pressure in any of its areas of spending.

This partly explains why we have seen ballooning surpluses in Ottawa.

Pressure to increase spending in areas of provincial jurisdiction will become stronger and stronger over the next several years.

In health care, an aging Canadian population, coupled with the spiralling cost of drugs and leading-edge medical equipment, will have a significant impact on provincial spending. In only 10 years from now, as the baby-boomers begin reaching retirement age, the effect of an aging population will be fully felt.

An aging population will also prompt the federal government to earmark greater sums for several of its budget items—notably for old-age security programmes. However, the sums allocated for these programmes amount to only 14 per cent of all federal spending. Obviously, the impact will not be nearly as severe on federal finances.

All in all, pressure on spending is occurring mainly at the provincial level whereas growth in revenues has, primarily, been swelling the coffers of the federal government. Something must be done to renew our current fiscal arrangements so that each level of government can fulfil its responsibilities to the people of Canada.

A study commissioned by the premiers of the western provinces has confirmed this forecast. A Federation Out of Balance is the name of the study which predicted that the federal budget surplus will continue to grow faster and faster. The federal government's budget surpluses will reach $153.7 billion in 2019–2020, according to the current tax structure. In comparison, the combined surpluses of all provinces would total only $13.9 billion during the same fiscal year.

The issue is one of restoring balance so that the Canadian federation can meet the challenges of the new economy. Restoring fiscal balance hinges on the transfer of tax points from the federal government to the provinces. This measure is a top priority—justifiably so, considering the imbalance that has been steadily growing between the fiscal capacity of the provinces and the expenses they must incur in assuming their responsibilities.

The Quebec Liberal Party has made the transfer of tax points a centrepiece of its political programme. Other provinces of Canada have also come out in favour of new fiscal arrangements. The transfer of tax points has the advantage of ensuring stable funding for social programmes. The federal government's unilateral cuts in transfer payments to the provinces made a strong case for this new proposal.

We must also strengthen equalisation. Sharing the wealth between our regions is one of the most important values of the Canadian federation. The current ceiling on equalisation must be raised.

The Honourable Roy Romanow, who heads the Commission on the Future of Health Care in Canada, recently stated that health-care funding and, with that, the federal transfer payments, would be studied by the Commission. That is a good first step. And indeed I explicitly requested this measure in a letter addressed to both the Prime Minister and Mr. Romanow.

The Commission must examine federal transfer payments from the dual perspective of the prevailing fiscal imbalance and growing pressure on health-care spending as the result of an aging population. This effort will represent the first test of the willingness of the federal government to correct the fiscal imbalance now affecting the federation.

In Canada, the forces of change will come from the provinces. Only if the provinces come together and initiate changes will a reform of the Canadian federation become a reality. Clearly, it is not a question of challenging the deep-running values that unite us. Instead, it is a question of implementing the required changes in response to the challenges of globalisation and making the federation work better.

Unfortunately, Quebecers remain on the sidelines. I deplore the haste with which the Landry government announced its decision not to participate in the proceedings of the Romanow Commission. Quebec will be the only government absent from the discussions.

The people of Quebec expect their leaders to help make the federation work better. They too are tired of sterile debates. They expect governments to co-operate and help make their lives better.

I can assure you of one thing. Once the Quebec Liberal Party has formed the next government and I have become Premier of Quebec, I intend to lead the forces of change. I will relentlessly promote the interests of Quebecers and in doing so the interest of all Canadians.

Le peuple Québécois, dont je fais partie, avec ses particularités, sa fierté et ses valeurs propres croit que sa participation à la fédération canadienne est un gage de réussite devant la mondialisation des marchés et l'émergence de l'économie du savoir. La voie que propose le gouvernement Landry, c'est le repli sur soi. C'est la voie de l'isolement qui est a contre-courant de la tendance mondiale aux regroupements et aux alliances. Les Québécois ne veulent pas s'isoler des courants mondiaux. Ils veulent au contraire devenir des leaders de la nouvelle économie.

L'obsession indépendantiste du gouvernement Landry nous fera reculer. Le Québec, s'il se sépare, devra renégocier sa participation à l'ALÉNA. Les termes de l'accord sont clairs à ce sujet. Qui croyez-vous devra faire des concessions à la table des négociations? Qui aura le gros bout du bâton? Le Québec ou les États-Unis? Devrons-nous sacrifier notre industrie du bois-d'œuvre? Ou donner libre accès aux États-Unis à nos réserves en eau potable? Ce ne sont certainement pas les États-Unis qui devront faire des concessions.

Le Parti libéral du Québec entend au contraire faire en sorte que le Québec devienne un leader de l'économie du savoir. Il entend concentrer ses efforts à moderniser notre système d'éducation et à mettre sur pied un système de santé qui répond aux besoins de la population. Il entend aussi développer une économie compétitive qui pourra rivaliser avec nos principaux concurrents. Mais surtout, il entend agir pour que tous les Québécois bénéficient d'une société juste et équitable qui s'inscrit dans le courant de modernité.

Together, we will succeed in building a modern Canada, that will be the model of the post-industrial age.

Merci. Thank you.

The appreciation of the meeting was expressed by Ann Curran, Director, Corporate Development International and 1st Vice-President, The Empire Club of Canada.

The Honourable Jean Charest, Leader of the Official Opposition, Quebec National Assembly and Elizabeth Laidlaw, Grade 13 Student, St. John's College, Brantford.

May 9, 2001

The Hon. Margaret N. McCain

Former Lieutenant-Governor of New Brunswick and Co-Chair, "Early Years" Report

SIGNALS FROM THE FUTURE

Chairman: **Bill Laidlaw**
President, The Empire Club of Canada

Head Table Guests

Anne Libby, Private Art Dealer and Director, The Empire Club of Canada; Reverend Canon Philip Bristow, Incumbent, St. Philip's on the Hill, Unionville; Sal Rabbani, Senior Student and President, W.A. Porter Collegiate Institute and President, T.D.S.B. SuperCouncil; Mary Gordon, Founder, Roots of Empathy Programme; Jane Drynan, Chairperson, Canadian Psychiatric Awareness Committee and Canadian Psychiatric Research Foundation; Ann Curran, Director, Corporate Development International and 1st Vice-President, The Empire Club of Canada; Andrea Drynan, Chairperson, Youth at Risk, Canadian Psychiatric Research Foundation; Dr. Sue Ditchburn, Principal, Havergal College; and Stanley H. Hartt, Chairman, Salomon Smith Barney Canada Inc. and Past President, Canadian Psychiatric Research Foundation.

Introduction by Bill Laidlaw

Good afternoon and welcome to the Empire Club.

I want to commence my introduction of The Honourable Margaret McCain by sharing a story with you that I experienced 25 years ago, when I commenced teaching at an independent school and had responsibility for 70 or so young men. On one of my first days I had occasion to go to the infirmary and saw more than 20 cups with little pills in them. I asked the nurse what they were and I was told it was Ritalin and that a number of my students were taking the medicine. I was also told that if they didn't, my job as a teacher and master in residence would be even more challenging than it was. That is a vision I find hard to believe.

I hope those days are over. However, as a former teacher and a parent of two teenage daughters, as well as a former human resources executive, I can tell you that mental health is a major issue for our society. I read, like you, the many sad stories of Canadians suffering from the stresses of life. I am sure that we all have a personal story of how life stresses have affected our own lives.

I think it is safe to say that when our guest speaker, The Honourable Margaret McCain, agreed in April of 1998 to co-chair the Ontario government's Early Years Study, she had no idea that it would generate so much reaction or that she would be asked to speak about the report to such a large number of groups and organisations.

Mrs. McCain has always been a social activist. Although, for more than 40 years, her home base was the small village of Florenceville, New Brunswick, where she and her husband Wallace raised four children, she made an impact on the local, national and international scene.

Always interested in the welfare of children and families, she helped establish a kindergarten programme in Florenceville and is a founding member of the Fredericton, N.B.-based Muriel McQueen Fergusson Foundation. The Foundation's mission is the elimination of family violence through public education and research in partnership with the University of New Brunswick.

On April 28, 1994, Margaret McCain was appointed Lieutenant-Governor of New Brunswick—the first female to hold this position. She served until April 1997 when she moved to Toronto to rejoin her family.

She is Chair of the National Ballet School's Board of Directors. She also serves on a number of other boards including the Women's College Hospital Foundation, Voices for Children, Beatrice House, the Advisory Council for the Canadian Women's Foundation and York University's Centre for Women's Studies.

Today, she is helping the Canadian Psychiatric Research Foundation launch a project to help teachers work more effectively with troubled children in their classes.

Now with great pleasure I present to you The Honourable Margaret McCain.

Margaret McCain

Thank you for inviting me to be your guest speaker today. I appreciate the opportunity you have given me to talk about early child development and the Early Years Study (EYS) with a group of people who are community leaders and decision makers.

Soon after I moved to Toronto, I was invited by the then Minister for Children, Margaret Marland, to join Dr. Fraser Mustard as Co-Chair of the EYS newly commissioned by Premier Harris.

I accepted without hesitation and I'll explain why. There were two basic reasons. Having been a long-time advocate for the healthy development of children I knew this was a ground-breaking initiative. I considered the opportunity to work with Dr. Mustard a privilege and an experience not to be missed.

Many of you already know that Dr. Mustard is a world-renowned medical researcher and expert in human development. Without his breadth of knowledge along with his extensive international network of researchers, the Early Years Report (EYR) would not have achieved its high level of strength and credibility.

It was in fact a lecture he gave on human development to the caucus of the Harris government that spawned the EYS. Following the presentation, Premier Harris asked what he could do to help Ontario's children. Dr. Mustard replied: "Lay the foundations to make sure that all children get off to the best possible start so that in their adult life they can reach their optimal potential to be productive citizens." The Premier took his advice seriously.

There has been increasing concern about the fact that Canadian children are not doing as well as they should. Despite spending more on primary, secondary and post-secondary education than any other industrialised country, Canada ranks near the bottom on OECD youth literacy scores, only slightly above the U.S.

In 1997 the National Longitudinal Survey on Children and Youth reported that 26 per cent of our children enter adulthood with significant academic, behavioural, social and/or health problems. Without intense interventions this percentage will increase exponentially with each successive generation.

Another area of serious concern is the level of youth aggression and crime which is alarmingly high. This is a problem that can be traced directly back to early life experiences.

Countries showing much better children's outcomes, such as Sweden, Denmark and France, invest heavily in the first six years. Here in Canada, we invest very little in the early years.

We acknowledge that there have been many other studies carried out over the past 40 years which focused on the developmental needs of children and which presented recommendations similar to ours. Most of them are now gathering dust on shelves in government archives. What sets this report apart from all others? Why is it being taken so seriously in Canada that it set the framework for the federal government's designation of $2.5 billion over five years to flow to the provinces for early child development?

When the first ministers signed the health agreement last September, Canada became the first English-speaking country to include a prevention piece in a major health plan. This is very significant. And why have copies of the EYR travelled all around the world as far away as Australia; why has it formed the framework for initiatives in B.C., Manitoba and PEI; why is the World Bank using it as a basis for early child development initiatives being introduced into developing countries?

The answer to these questions lies not so much in what we recommend but in the compelling case we present for action.

There are three pieces of evidence in the report which have propelled it forward onto the national and international stage: the current socio-economic environment driven by technology; new neuro-science evidence about brain development; and new evidence of children's outcomes measured against their socio-economic status.

Together these three, which we refer to as the Socio-Economic story, the Brain story and the Gradient Story, send out a loud wake-up call to society; a call that we ignore at our own peril.

First, the Socio-Economic story, more specifically its impact on children and families.

As with economic revolutions throughout history, so it is that the new economy, driven by technology, has brought about massive change and dislocation of our social structures. Families have been particularly affected.

John Maynard Keynes, the renowned economist of the last century, predicted during the Great Depression that by the year 2030 people would be far better off materially while having to work much less.

He got the first part right but on the second point, his prediction was totally wrong.

In the beginning of the Technological Age it was expected that computers and other technologies would dramatically ease the burden on human performance. Instead the opposite has happened. While devices such as computers, faxes, e-mail, voice mail and cellphones have vastly increased productivity, they have also resulted in a much higher demand for products and information which have to be produced better, faster and cheaper. Workers today have to work harder, longer and much more intensely in order to stay ahead of the competition.

This applies to men and women at all levels. The higher up you go on the income scale the harder and longer you have to work and the greater the pressure you face to compete in the global marketplace. At the same time, people in what are considered routine jobs have to work longer and harder in order to stay employed, to stay above the poverty line and to maintain the standard of living they knew 10, 20 or 30 years ago.

The Vanier Institute for the Family recently reported that men and women today have to work 60 hours a week to maintain the same standard of living enjoyed by people in the 1950s who worked only 40 hours a week.

Workers today can never go into cruising mode, relax or feel comfortable in the knowledge that their job or career is secure.

Women are in the work force in increasing numbers. Some are there to supplement their spouse's shrinking income or to provide enrichment for their children's development—culture, recreation, sports, travel. Other women are in the work force because of the rewards and benefits. They cherish their financial independence.

Success today is no longer predicated on strength and endurance but rather on knowledge, skills and innovation and in these areas women bring a wealth of talent and capability.

Yes, women are in the work force to stay. Sixty-five per cent of mothers with pre-school children are in the work force and many parents are away from home up to 12 hours a day. Even when they are at home they are still connected to the office because technology has blurred the lines between the workplace and home.

Work has invaded the sanctity of home and family life, intruding on relationships with spouses, children and friends.

Never before have parents been so stressed and stretched as they strive to be the best in the workplace and the best at home. This situation has added a new phrase to the lexicon of family life—family time famine.

One of the greatest concerns expressed to us by parents during the EYS was the challenge of finding a balance between work and family. There is no shortage of information on "how to be a good parent." The challenge is how do you find time to be a good parent.

Productivity driven by innovation is a key force in the Technological Age. It follows, therefore, that how our children develop into competent, productive, innovative members of our future work force is of critical importance both for individual and national success.

Let me quote to you from the book "Developmental Health and the Wealth of Nations" written by Dr. Dan Keating of the University of Toronto and Dr. Clyde Hertzman of UBC. The authors state categorically "economic growth today is dependent on becoming a learning society built on the developmental health of its population. The role of developmental health is critical to lifelong health, learning and competence. Learning societies focus on promoting developmental health and making use of human resources to achieve success as a knowledge economy and a democratic society."

When does human development begin? It begins at birth—indeed at conception.

Into this view of the modern socio-economic landscape, let me now place the new Neuro Science story. It has been called the most powerful, compelling piece of medical evidence ever to emerge about human development.

Up until 10 or 15 years ago it was believed that a baby's brain architecture was set at birth by his or her genetic programming and that early experiences merely set the context for a child's development. However, using new technologies such as cat scans and MRIs, coupled with major longitudinal studies in developmental psychology, medical scientists are now able to prove that this is not the case. A baby is born with billions of neurons which will, over the next three to four years, form connections (called synapses) to form eight neural pathways. This happens in response to stimulation from touch, taste, sight, sound, smell, temperature, movement and pain.

We call the process "the wiring of the brain" and it is very much influenced by experiences.

Positive stimulation from good nutrition and nurturance such as, touching, cuddling, singing and exploring will enhance the wiring process. Reading is especially important because it stimulates five of eight neural pathways.

On the other side of the coin, negative stimulation that comes from neglect, lack of attention, poor nutrition, living with fear, stress, anxiety or abuse (either direct or indirect from witnessing) can impede the optimal wiring process.

Although brain development is non-linear and will continue throughout life, the windows of opportunity for optimal development are in these critical early years. It is in these years that the foundation blocks are laid for learning, health and behaviour throughout the life cycle. If the opportunities for positive stimulation, nurturance and nutrition are missed, doors will be shut that can never be reopened.

Interventions to address the latency effects of negative early experiences or deficits can, and often do, help. The Canadian Psychiatric Awareness Project, which is providing teachers with knowledge and skills to deal with children who come into their classrooms with behavioural difficulties resulting from early childhood deficits or mental health problems, is an excellent example of what is being done to help children and their families. But it has to be acknowledged that later interventions are much more difficult and much more expensive.

Studies tell us that the single biggest factor in a child's healthy development is the quality of parenting.

This presents us with a paradox. In the Technological Age, when human development and productivity is considered critical to individual and national success and parenting has been identified as the most important factor in human development, the new economy is placing heavier and heavier burdens on parents to fulfil their role.

The third piece of evidence—the Gradient story—shows that all parents are faced with this challenge and all children are affected.

Gradients give us a reading of outcomes (in this case, children's outcomes) on several significant indicators such as low birth weights, cognitive skills and developmental levels measured against their socio-economic status.

It is commonly believed that children who exhibit the greatest difficulties are those living in poverty and it is true that these children do have the highest risk factors. Thirty-five per cent of children in the lowest-income quartile are having difficulty. However, we have to consider the other piece of the story—65 per cent are turning out well.

At the other end of the spectrum, in the highest-income quartile, 21 per cent of children are doing poorly. And the largest number of children not doing well is in the middle class.

These results are surprising to many people, especially to politicians and policy-makers who prefer to "target" their initiatives towards those they define as "at risk."

The important thing to remember about the Gradient story is that there is no point on the scale where putting more money towards the problem will eliminate it.

Dr. Dan Offord is Director of the Centre for Study of Children at Risk at McMaster University, where they are doing exceptional research into children's developmental needs. The centre has designed an early development index and is implementing it here in Toronto and across Canada. Dr. Offord says that adding money alone will only reduce the problems for children living in poverty by 10 per cent. If money alone provided the solution (which it doesn't) all children in the lowest-income bracket would be doing poorly and those from well-off families would be doing well. That is not the case.

Today's parents need help in fulfilling their role but money alone, education and parenting information alone, nutrition and environmental programmes alone, literacy programmes alone will not significantly improve children's outcomes.

Measures such as these must be partnered with other initiatives designed to address the needs of all children and their parents.

Given that the Technological Age is here to stay with its increasingly severe effects on families and children, given that the healthy development of children is very important to the health and wealth of our nation, given that the neuro-science evidence tells us how important the early years are in laying the foundations for healthy development, with good parenting the primary factor, the EYR lays out a plan for an Early Child Development (ECD) system to support all children in the years zero to six and their parents.

So far, Canada's investment in children has focused primarily on the years six to 18 with very little invested in the early years. In the past it was, and still is, widely believed that the early years are the sole responsibility of parents, not society. The new economy has changed that.

The ECD System we envision would feature an integrated continuum of ECD and Parenting Centres which are child-oriented and parent-oriented. They would include child care and education based on problem-solving learning through play. They would also include parenting education and supports with additional resources available to meet the needs of parents at work, at home or in school.

The system must be available, affordable, accessible and optional to all parents and children. Yet, rather than universal public funding, we recommend that the system should be developed by public/private partnerships.

We believe the system must grow from the grass roots up with communities taking ownership of human development within an "over-arching umbrella" of government policies, principles and standards.

Because of modern-day workplace pressures, the corporate/employer world will need to come in as partners; adopting family-friendly policies, flexible work hours, possibly even on-site ECD centres. We recommended the extension of maternity/parental leave to one year and we were pleased when the federal government and four provincial governments (including Ontario) recently introduced this into legislation.

Communities must be important partners in the development of the ECD system. Various sectors will have to come together to build bridges and partnerships to support children and families. The nature and quality of a community play an important role in how children develop.

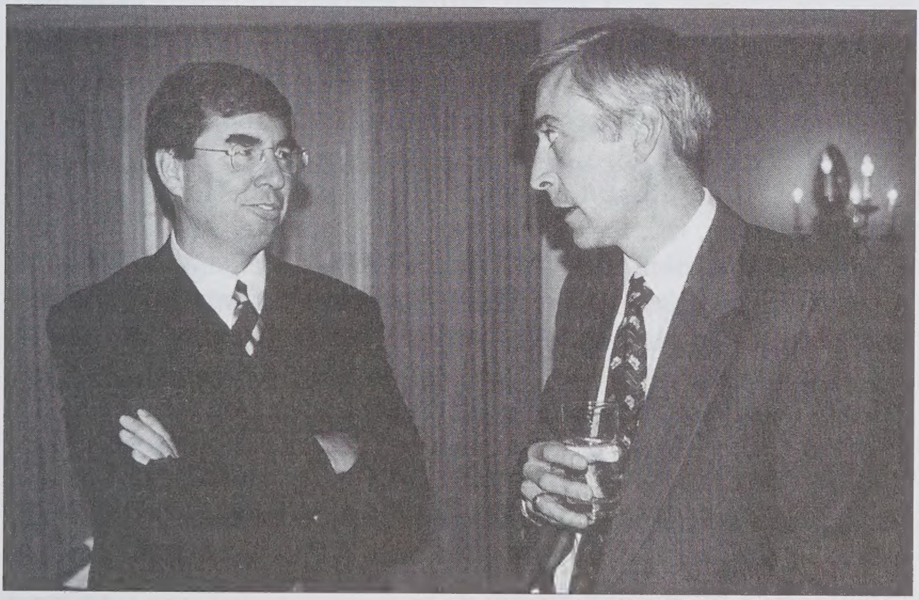
Already we have outstanding examples of what private individuals and foundations can do. The Bram and Bluma Appel initiative for children in North Bay which includes a broad range of after-school and arts programmes is one such fine example. The Atkinson Foundation's $1 million challenge fund to match community ECD initiatives is another.

Before I close, let me stress that ensuring children get off to a good start in life so that they can attain their optimal potential and competence is important not only to the individual child or family but to the whole of society. Whether you are a parent, grandparent, employer or a business person, regardless of your profession, it is in your interest (and mine) to ensure the competency of our future labour force. It is also in our national interest to make sure that communities assume responsibility for a system to support early child development and to help parents fulfil their parental role.

Foundation blocks laid in the early years determine how children will function throughout their life cycles. Unless we are prepared to provide this firm foundation, society will continue to pay a higher and higher price. The resulting deficits will continue to translate into enormous human and economic costs.

Hilary Clinton said that it takes a village to raise a child. I prefer to say that it takes a community. I urge you to join with others to take "ownership" of human development. As Judith Maxwell, President of Canadian Policy Networks, told the Globe and Mail in February of last year: "One of the best investments we can make in strong productivity growth after 2020 will be in supporting the healthy development of all children starting now."

The appreciation of the meeting was expressed by Stanley H. Hartt, Chairman, Salomon Smith Barney Canada Inc. and Past President, Canadian Psychiatric Research Foundation.



John C. Koopman, Partner, Heidrick & Struggles and 2nd Vice-President, The Empire Club of Canada and David Agnew, President and CEO, UNICEF Canada and Director, The Empire Club of Canada.

May 10, 2001

A joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

The Hon. James M. Flaherty

Deputy Premier and Minister of Finance for Ontario

POST-BUDGET ADDRESS

Chairman: **Marilyn Linton**
President, The Canadian Club of Toronto

Head Table Guests

Bill Laidlaw, CEO, St. John Council for Ontario and President, The Empire Club of Canada; Gord Homer, Deputy Chairman, Scotia Capital Inc.; Ernie Eves, QC, Vice-Chairman and Senior Advisor, Credit Suisse First Boston Securities Canada Inc.; Sonja Chong, Partner, Taxation, Braithwaite Innes Harris & Chong LLP and President, Hong Kong-Canada Business Association (Toronto); Libby Burnham, QC, Past President, The Canadian Club of Toronto; Robert W. Chisholm, Vice-Chairman, Domestic Banking, Scotiabank; Agnes Di Leonardi, Vice-President, Legal and Corporate Secretary, Ford Credit Canada Limited; Dr. Bob Christie, Deputy Minister of Finance; Lynda H. Bowles, Partner, Deloitte & Touche LLP; Ann Curran, Director, Corporate Development International and 1st Vice-President, The Empire Club of Canada; The Reverend Dr. John Niles, Victoria Park United Church; and David J. McFadden, QC, Partner, Smith Lyons and Director, The Empire Club of Canada.

Introduction by Marilyn Linton

Jim Flaherty

Good afternoon and thank you, Marilyn Linton, for your kind introduction.

Yesterday, I delivered my first budget as the Minister of Finance for the province of Ontario. When I set out to prepare this budget, I wanted to tell a story. A story that would outline a vision for the future. A story I'd be proud to tell my children. A story that they'd remember when they're grown. That when they look around Ontario as young adults someday, they'd see the benefits of the responsible choices our government is making today.

Responsible choices such as paying down the debt. Yesterday we made a record debt payment—$3 billion. I think of paying down debt as a future tax cut for our children. Our debt payment means we are paying over $90 million less in interest this year. That's $90 million less for our children to worry about in the future.

Tackling our debt is very important to me. It reminds me of why I got into politics in the first place. And why I consider myself a conservative today.

It wasn't always so. As a teenager, back in the 60s I actually knocked on doors for the Trudeau Liberals. A few years later, I realised Trudeau couldn't count. Racking up a massive debt is irresponsible. That's why I'm no longer a Liberal.

There's another aspect to the story of this budget that is very important to me. That's providing first and foremost for the most vulnerable people in our society. I strongly believe that's our duty as legislators. And our duty as conservatives.

For me that's where the story of this budget begins. I like to think a sense of compassion informs all the decisions I make as husband, a father and a Minister of the Crown. I say this mindful of the legacy of my predecessor, Ernie Eves. I think Ernie would agree that being a conservative is about providing first for the most vulnerable people in our society. I know this was as important to him as it is to me.

Quite simply responsibility doesn't have to come at the cost of compassion. In fact, it's by acting responsibly that we are able to afford to take care of the people who need us the most. I'm referring to people who are not able to share in our prosperity because of chronic illness, disease or disability. People who are unable to work through no fault of their own.

Let me give you a few examples of what we're doing for our most vulnerable people in Ontario with this budget.

I want to talk a bit about some of the things the media didn't report in detail. We're investing in new places to live for adults with developmental disabilities. We're investing in Child Treatment Centres, where children with autism, spina bifida, cerebral palsy and developmental learning disabilities can get the services and care they need. We're investing in shelters for abused women. Providing for the most vulnerable people in our lives was a vital consideration in my budget plan.

I want to talk to you today about that plan and some of those decisions that went into making it.

Growth

We've shown time and again that tax cuts provide an important stimulus to our economy.

Tax cuts return money to the people who earn it. And in turn those people put that money right back into the economy by purchasing goods and services and by investing. Since 1995, our economy has grown by almost 25 per cent.

In order to build on Ontario's prosperity, yesterday I announced that we intend to legislate the remainder of the 20-per-cent income tax cut promised in 1999. In real terms this would mean a family of four—two working parents and two children—with an income of $60,000 would now pay about $2,300 less in taxes. $2,300 is groceries for four months, a year's tuition at a community college or the cost of a new computer.

I also announced that we would take the first steps to eliminating the personal income surtax—a tax that hits Ontario taxpayers with incomes that start at $54,000. People at that level are by no means rich. Our government believes that middle-income earners deserve to keep more of their hard-earned money. As a result of this initial move we're proposing 340,000 people will no longer have to pay the surtax. And I emphasise that this is just the first step. We know that there is more to do. And we know that cutting taxes is the right thing to do. It's the responsible thing to do. Since we started cutting taxes, our businesses have created more than 822,000 jobs. Since we started cutting taxes, business investment in this province has increased by 66 per cent.

Our new package of initiatives to promote business activity in this province—Ontario's Edge—builds on that success. Ernie Eves announced significant corporate income tax cuts in his final budget as Minister of Finance. An important part of Ontario's Edge is to pass into law the full schedule of our corporate income tax cuts each year between now and 2005. We are providing businesses in Ontario with certainty. We know from experience that they will respond positively.

By 2005, if our legislation passes, Ontario will have a lower combined general corporate income tax rate than any of the 50 U.S. states. No Canadian province will have a lower rate. We said in the budget yesterday that we plan to make Ontario the home of the best performing economy in North America with the highest quality of life. Our goal is to make that happen over the next decade.

That's what Ontario's Edge is all about. Eliminating the job-killing capital tax is another part of Ontario's Edge. As you know, thousands of businesses across Ontario, in every sector, must pay capital tax whether they are making money or not. That means capital tax claws back money that should be used to keep employees on the payroll instead of going into government coffers. I'd like to thank our Business Tax Review Panel for recommending this particular initiative. They told us that capital tax is a cost of doing business in Ontario that almost no other country imposes.

Businesses' first priority should be paying wages to their workers—not paying taxes. That's why, in this budget, we are proposing the first steps toward eliminating this tax. Our plan would make the first $5 million tax free. This move alone would eliminate capital tax for more than 11,000 small- and medium-size businesses in Ontario and directly support the creation of new jobs.

Accountability

Common sense tells us that a vibrant economy is essential to support the things that matter most to the people of Ontario.

Since we started cutting taxes, government revenues have increased by $15 billion. This additional revenue is allowing us the kind of health-care system that provides certainty. And the kind of education system that produces a skilled work force. But while our revenues are increasing, so are our spending pressures.

I want to speak for a moment about health care. We know the people of Ontario care passionately about their health-care system. They've told us that health care is their number-one priority and we have responded. We've invested more money in Ontario's health-care system than any government before us. We've increased our investment in health care by $6 billion since we came to office. We're spending a staggering $23.5 billion this year on health care.

The numbers are now so large they barely make any sense for ordinary people. That translates into a shocking $745 per second spent on health care in the province of Ontario. Take a moment and look at your wrist watches.

Follow the sweep of the second hand and think about $745 a second. Today, 45 cents of every dollar that we spend on programmes goes to health care. When we look ahead about five short years, we can see health care eating up about 60 per cent of every dollar that we spend on programmes. This rate of increase simply isn't sustainable. Ontario isn't alone in this predicament.

There's not a single province in our country that's not grappling with the demands a growing and aging population is placing on our health-care system. Even the federal government has acknowledged the health-care challenges facing the provinces. Roy Romanow has been asked to chair a task force to investigate ways to protect our system of universal medicare. But unfortunately, the federal government has failed to recognise the urgency.

Maybe it's easier to procrastinate when you are paying less than 14 cents on the provincial health dollar.

Mr. Romanow's report will come too late for Ontario. We can't wait 18 months. We need reform now. We have to manage health care more effectively. All of the health-care system needs more effective and efficient management. Our public-sector partners—like our hospitals and community-care access centres—need to be more accountable and they will be. My budget outlines the first steps.

Our proposed new Public Sector Accountability Act will require all major organisations that receive taxpayer dollars from our government to balance their budgets each year. I'm talking about hospitals, school boards, municipalities, colleges and universities. Public-sector organisations will have to issue business plans to show what their objectives are and track their progress in meeting those objectives. I want to make a model of businesses like yours and how you meet the bottom line. I want to apply the same principles to public-sector institutions. We will call on experts in the private sector to join a new Value for Money Review Panel that will examine what role government should play in the 21st century.

The panel will have the mandate to assess any government service and ask some common sense questions. Is this service meeting its original objectives? How important is this service? Who should deliver this service?

This review will direct us to wasteful services that should be eliminated. It'll advise us on ways to focus our energies on services that are most valuable to the people of Ontario. We must be able to account for taxpayers' money. Just as you do in your business. Just as Ontario families do in their homes. What business would tolerate employees who can't account for how they spend the company's money? Government shouldn't be any different. The shareholder we answer to at the end of the day is the taxpayer.

That's the standard I set for myself as the Minister of Finance and it's a standard I intend to live up to.

On accountability, our government has set the bar very high. We made it against the law in Ontario for a government to run a deficit. There are penalties for any government that does. Cabinet ministers get a pay cut of 25 per cent for the first deficit and an additional 50 per cent cut for each deficit after that.

It's a version of the private-sector performance bonus.

Acting responsibly as a Finance Minister is not just about making smart decisions at budget time. Our economy is constantly changing and we have to keep ahead of those changes with a tax system that is flexible and responsive to business.

Just because we delivered the budget yesterday doesn't mean the books are closed for another year when it comes to reviewing our system of tax administration. As Finance Minister, my door is always open to new ideas. I'm here today to listen as much as to speak. I want and value the input of the Ontario business community. I believe we build our economy through consultation and consensus. A healthy economy and a thriving business community are crucial to our collective prosperity.

Many of you have children. Their education is very important to you. Our investment in education exceeds the growth of enrolment. Our publicly funded education system is our top priority. We feel it is time to answer the call of many parents in the province who pay for their children's education.

They pay for their children's education for a good reason. They want their children educated in their own religion, according to their own customs. That's something we can't offer in the public-school system. These parents often struggle to pay for a religious or cultural education. That's why we're phasing in a limited tax credit over the next five years.

With this measure, we are joining other provinces in supporting educational choice. There's been a lot of talk in the media about dealing with the anticipated "double cohort" of students in 2003. This is the year all grade 12 and OAC students will graduate together. The baby-boom echo and the fact that more students are pursuing higher education will add to the number of students going to college or university in 2003.

There will be a place for every student in grades 10 and 11 today who wants to go to college or university.

We're committed to spending $293 million to ensure there are places in the classrooms of our colleges and universities for any students who want to advance their education in the coming years.

A lot of young people visit my office. I tell them that the best investment they can make is in their own education. I insist that my government also invest in the education of its young people. We did that again yesterday and we will continue to make education a priority of our government.

There are clearly some challenges ahead of us. I'm confident we can meet them. We've come a long way in the province of Ontario. We've moved decisively to build a solid plan for the future. Our government is bringing accountability and responsibility to Ontario. We have fundamentally changed the political culture in Ontario for the better. We are cutting taxes to leave more of your money in your hands. We don't think government knows better than you do where to spend your money.

The people of this province now rightly expect more from their government. They want accountability. They demand that their tax dollars be spent wisely, efficiently and responsibly.

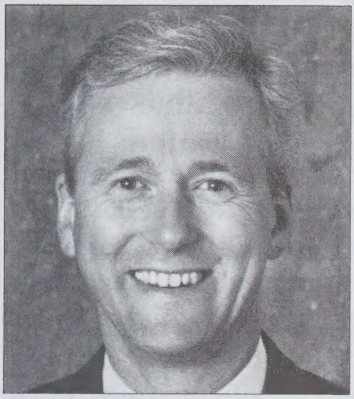
We did that yesterday. We demonstrated once again that we have a plan for the future. We're prepared to make the province of Ontario the home of the best performing economy in North America with a quality of life that will be the envy of the world.

Our plan is simple... it's called common sense.

Thank you.

The appreciation of the meeting was expressed by Bill Laidlaw, CEO, St. John Council for Ontario and President, The Empire Club of Canada.

The Honourable James M. Flaherty, Deputy Premier and Minister of Finance for Ontario and Ernie Eves, QC, Vice-Chairman and Senior Advisor, Credit Suisse First Boston Securities Canada Inc.



May 22, 2001

Jan Grude

National Chairman, Canadian Association of Management Consultants and National Practice Director, Watson Wyatt Canada Consulting Practice

CONSULTING AS A MAJOR GLOBAL INDUSTRY

Chairman: **Bill Laidlaw**
President, The Empire Club of Canada

Head Table Guests

Ann Curran, Director, Corporate Development International and 1st Vice-President, The Empire Club of Canada; Grant Kerr, Associate Minister, St. Paul's United Church, Brampton; Ravivan Raveenthran, Senior Student, W.A. Porter Collegiate Institute; Leo Gotlieb, FCMC, Managing Director, Western Management Consultants of Ontario; John Simke, Partner, PricewaterhouseCoopers; Heather Osler, President and CEO, Canadian Association of Management Consultants; Sharon Rudy, Vice-President, Spencer Stuart and Director, The Empire Club of Canada; Julie Lissaman, CMC, Chair, GTA Chapter, Canadian Association of Management Consultants; David Bolton, FCMC, Vice-President, Cap Gimini Ernst & Young; and Teri Brown, National Director, Growth and Development, Watson Wyatt Worldwide—Canada.

Introduction by Bill Laidlaw

Jan Grude is the National Practice Director for Watson Wyatt Canada Consulting, and the National Chairman for the Canadian Association of Management Consultants.

Jan has 15 years of experience in the dynamics of "change" and "improvement" in both the private and public sectors. He specialises in People Effectiveness, Performance Improvement, Organisation Strategy and Change Management. Jan's consulting assignments have included participation as a key player in a number of mergers and acquisitions in health care and financial services as well as human resource and executive development transitions; change management—the development and implementation of organisation-wide change processes for insurance providers, hospitals, universities, retailers etc.; and recently business process innovations—reengineering and redesigning practices—for the province-wide health-care delivery system.

We are constantly reminded that change, and the need to improve and sometimes even "reinvent" ourselves, has become an acceptable and necessary part of business life. Sometimes we are enthusiastic initiators, and sometimes we have "change" and "new procedures" thrust upon us. In either case, the need for consultants has become an important tool in coping with the speed of change which shows no signs of slowing.

It is important to emphasise that consultants not only deal with the tangibles of our business life but also the intangibles—knowledge management, our culture, image, research and innovation and intellectual resources. It is nice, therefore, to have with us today someone with such a broad base of experience with a number of "transitioning" companies.

What Jan will share with us today are some of the pitfalls that organisations fall into when misusing consultants. He will also examine the benefits that accrue when organisations use their consultants properly. Jan will provide us with some helpful tips that can be applied to selecting the right consultant, so that we are able to better utilise our resources and maximise our efficiencies and proficiencies.

I'd like to turn it over to Jan.

Jan Grude

Thank you very much. It is lovely to be here and a privilege. I was intimidated somewhat after being told at the head table that you have had many interesting and distinguished speakers.

Every time I'm reminded of a talk being interesting, I think of a story I first heard in church. It is a story of a young minister who has just graduated from the seminary and gets his first charge in the country. He goes out to the country church parish and is quite thrilled as he drives up to find a lovely church in a beautiful setting beside a rectory. He enters the church and is met by the warden and the warden greets him and shows him around the church. The young minister is thrilled. He is then brought over to the rectory where he is introduced to the housekeeper and is told by the housekeeper that she is there to take care of the house and to ensure that he has all the time he needs for his ministry. She indicates that she lives downstairs. She has an apartment there. She says: "I have no problems with issues of privacy. I would ask you, however, to respect the privacy of one area of my home—the hope chest at the foot of my bed. That is my only private space."The minister agrees that they will maintain their lives separately and privately. He goes on to conduct what he thinks is a very successful ministry. Twenty years go by and he is still in the same parish conducting what he indeed thinks is a very successful ministry. One day, however, he cannot contain his curiosity any longer and while the housekeeper is out doing errands he creeps down to her apartment and into her bedroom to the foot of the bed. He lifts up the lid of the chest. And inside the chest he finds on one side three eggs and on the other side a whole stack of bills and money. He is confused by this and just as he is shutting the lid of the chest she comes home. She finds him there. She is distraught and horrified and can't believe that he has violated her trust. Well after amends are made, his curiosity overtakes him once again and he says: "But I don't understand. What is so private about the chest and what do these things mean? Eggs, money?" And she says to him: "Well when you came here 20 years ago I promised myself that for every boring sermon that you gave I would put an egg in the chest." Well he beams. Three eggs, that's all there were in the chest. Three eggs. He is absolutely ecstatic but then he has to ask: "Well on the other side on the chest there is all that money. What is that for?" She says: "Well, every time I got up to a dozen eggs I sold them for a buck."

One of the things I learned early in my consulting career is to set client expectations. This talk will be about 30 minutes and I will try to be on time and on budget, which is also something that consultants promise their clients.

They say that confession is good for the soul so let me begin by saying that I'm a consultant and I'm not alone. Consultants are everywhere and their numbers are increasing day by day. The organisation that I represent, the Canadian Association of Management Consultants, has about 4,500 members across Canada but I know that even with a growing membership we barely scratch the service. We have estimated that there are between 20,000 and 30,000 people in Canada who call themselves consultants and that they bill approximately $4 to 6 billion a year. Globally the industry has experienced revenue growth from an estimated $5 billion in 1980 to somewhere in the order of $200 billion today. Over the past 20 years, especially in the last five, it has enjoyed growth rates that are unprecedented and which show absolutely no sign of slowing.

Consulting exerts tremendous influence. Each year consulting magazines have named the top-25 consultants of the year as part of their annual ranking and it has become a right of passage for the consulting profession. The list is impressive and the accolades are legion. I quote: "There is probably no group of individuals that influence the ebb and flow of global business more than the top 25." Individually each of these consultants has risen to the lofty heights of the profession. Together they are reinventing the commercial world.

Why is it that consulting has become a major global industry? We can attribute most of the success of the industry or profession to certain important economic and political changes.

The first one that I would identify is political stability and deregulation. We're living in an era of tremendous unprecedented political stability. A dozen years ago over one billion people lived in market economies. Today over five billion people live in market economies. In recent years government has tended to recognise the importance of maximising efficiency in the business sector by dismantling legislation which in the past limited competitiveness. The move to market economies and deregulation has brought with it a significant need for assistance right from the boardroom, the governance level, to the shop floor manufacturing and production processes.

The second major change is the impact of information technology and information in our society. Who was it that said society is held together by communications and information? Bill Gates? No. This very contemporary sounding comment was made by Dr. Samuel Gottfried in 1778 and quite forcefully it shows us that the past can speak to the present. There's an unprecedented level of information needed to make businesses successful. Software packages which embody all types of hard-won business skills bring state-of–the-art management techniques to the smallest organisations. Technology therefore increases competitiveness and puts a premium on know-how which consultants can bring.

Thirdly, the impact of the Internet and the new economy. The growing importance of e-business and e-commerce is such that organisations of every size have no choice but to participate and for that they need expertise. Consulting revenues are expected to grow five-fold in the next four years in e-commerce consulting. Many Web boutiques and traditional firms are now repositioning themselves to offer technically or technologically enlightened strategies combined with industry experience. They're using people, and consultants in particular, to leverage the Web to achieve high-end business performance.

The fourth significant trend is the overall technical sophistication of business. There's a marked tendency for business to become generally more complex and it is more demanding. Medicine, for example. has accumulated tremendous knowledge. I was at a meeting recently at one of our major universities, where it was suggested to us that just in terms of vocabulary alone a first-year biology student accumulates more vocabulary in that biology course than a first-year student taking a foreign language. This accumulation of expertise is enhanced by the commercial fact that organisations tend to maximise profitability when they specialise in what they do best—core competence. And it goes a long way to explaining why outsourcing—paying others to operate those things which are not core—is enjoying such an unprecedented popularity. It doesn't show any signs of diminishing. Access to expertise or outsourcing for those things which are not core to companies tends to go to consultants.

And finally there has been a tremendous increase in customer expectations, an enormous surge in consumer's knowledge of what is available in the marketplace and of course a decrease in customer loyalty. Today companies need a much more thorough understanding of the marketplace. Consultants have a vested interest in providing outside objective expertise. What's happening is that they have a window on the marketplace to offer and companies are buying it in unprecedented volumes.

That's the consulting industry as a phenomenon. There's also tremendous opportunities for people who have the skill, intelligence and determination to take advantage of them. There's always a concern that traditional professional titles of lawyer, doctor or architect have widely recognised definition, but when people hear the title "management consultant" they tend to define it within a very wide range. On the one hand it may be a bright individual who deals only with the top management of large companies on critical matters or on the other simply an unemployed individual who has resorted to selling time for a fee until a real job comes along. Neither description is entirely accurate.

Consultants have to be expert at something. It is difficult though not impossible for someone to practice as a consultant unless they have some proven expertise in a particular discipline. I made this point early on because it explains why there are many more bad consultants than good ones. Bad consultants sadly make life difficult for the good ones who are genuinely committed to providing value for their client's money. Because personality and charisma are important in winning business, there is always a danger that some consultants will win business even if he or she does not have the skills to benefit the client. Consulting is not just a job; it is a profession. Even more than that it is a vocation. Star consultants are special people who make things happen, make businesses more efficient and effective and generally make society a better place.

How do you find a consultant whose advice is expert, appropriate and effective?

The solution is to choose a consultant wisely and anyone who is in business must learn to exercise his or her judgment effectively. Very few companies attain long-term profitability and growth without at some point hiring consultants. The permanent staff may be excellent employees who perform their daily tasks with dedication and skill and the result maybe exactly what you're looking for. But every once in a while something special occurs. It may be a new technology that can give you or cost you a competitive edge, changing consumer demands, burgeoning markets or the need for rapid expansion. Your employees, as good as they are, might not possess the highly specialised knowledge and experience needed to respond quickly and effectively to these varied challenges. That's when you hire a consultant, but consultants don't always bring the anticipated benefit. There are mountains of dust-covered consultants' reports that clutter up far too many offices. It pains me to say this but when it comes to using consultants the unwary client will likely stumble into one or more of the many pitfalls that lie along the company's critical path. There are many stories of abuses, misunderstandings, and misfit between clients and consultants. The results are sometimes humorous, sometimes sad, but most often wasteful like for example the oft-told story of NASA spending millions of dollars to develop a space pen that could write in zero gravity conditions and all of you know the Russian solution—the pencil. The good news is that most of the abuses, misunderstandings and misfits between client and consultant can be prevented. Let me share with you what I call the five fatal flaws of conventional consulting.

Let me tell you a little bit about how a consulting engagement typically rolls out. First of all a manager and executive decide to find a major consultant. The responsibility for the project then shifts to the consultant and a proposal is drafted and submitted. Once the client gives the go-ahead the consultant carries out his or her work, researches the problem and develops new processes or recommendations for change. Once the consultant has provided his or her recommendation leading to new systems he or she is deemed to have completed most of the work.

The first fatal flaw. Consulting engagements unfortunately get defined in terms of the consultant's expertise or products and not in terms of the specific client results he achieves. That often leads to off-the-shelf solutions. No matter what goals a client might have in mind when engaging a consultant, it is unlikely the consultant's project will be defined in terms of achieving those goals. The project will be defined in terms of the work the consultant will do and the products the consultant will deliver. Of course the assumption is always that the consultant's deliverables will be eventually translated into the client's desired results but that is a fatal assumption and not always a correct one.

Let me give you a couple of examples. A Canadian electronics manufacturer with huge inventories and cash receivables was strapped for cash. Senior management identifies a goal to reduce inventory by a significant amount and a consultant is hired to help. The resulting project is defined as follows. Develop specifications for an improved inventory control system and then design and sell that system. You will notice a flaw. The consultant makes no commitment to help the client actually reduce specific categories of inventory by a specific percentage by a specific date. A fatal flaw.

Another example. A Canadian retail store is enjoying healthy growth but major changes in the marketplace are producing some significant competitive pressure. Senior officers decide that store managers need to increase sales volumes. A consultant is called in to help and the project is defined as follows. Train store managers to enable them to better provide the leadership required to boost store sales volumes and profitability. Even though the words "boost store sales volumes and profitability" have been included in the project definition careful reading makes clear that the goal to which the consultant has committed himself or herself to is the training of store managers, not the boosting of sales volumes and profitability. Linking a specific expertise to a consultant as opposed to the actual business goal is a fundamental and fatal flaw that clients can make.

The second fatal flaw. The project's goal is determined solely by the subject to be studied or the problem to be solved and ignores the client's readiness for change. One of our major financial institutions just two years ago went through a significant initiative to try and shut down its network of regional offices which had an employee sales force. They wanted to look at selling directly to the consumer and eliminating regional offices and the full-time sales force. Eighteen months worth of examination, consultants' reports, interviews and so on when presented landed on the executive table with a loud thud because the executives realised that the magnitude of the change contemplated by the recommendations of consultants was so huge that the likelihood of the organisation actually successfully implementing them was zero. Five million dollars for a few months work. Defining a consulting project that turns out an actual analysis of a deliverable as opposed to looking at the organisation's capacity for change is a fatal flaw.

Fatal flaw number three. The project aims for one big solution rather than incremental success. So often clients are looking for the silver bullet—the one thing that they'd like to do which would solve all of their problems. Many executives sit in wonder and hope for something that will solve their problems. Consultants who lead clients to believe that there is a complete remedy in fact mislead clients. The most effective consulting engagements are those which ensure that there are wins which are incremental and change is made in organisations which is also incremental.

The fourth fatal flaw is where the project or a consulting engagement has a sharp division of responsibilities between client and consultant. There should be no partition but it happens, often because there's no trust. When we look at the most effective relationships between consultants of other types—doctor-patient, lawyer-client —what is the one element that defines the most successful relationship between the two? How is it a doctor can actually diagnose and treat a patient most effectively? When you as the patient are absolutely honest about what it is that is afflicting you or what your conditions are. You are completely open to the physician. Otherwise you can't be treated. Unfortunately what happens with the division of responsibilities between client and consultant is that the client is not honest and the consultant takes away a misapprehension of what the actual problem is.

The fifth fatal flaw is an engagement where a company makes labour-intensive use of consultants instead of using its own people in a complementary way. Consultants are rewarded by putting the maximum number of people on a plan as possible. It is called leverage of our own people; not leverage of client personnel. The whole reward structure suggests that we put as many people on the client site as possible. In fact the most effective consulting engagements are those where there is a significant leveraging resource in the establishment of consulting teams in order to get the work done.

The five fatal flaws too often run rampant through our industry and give the entire profession a bad name:

- Consulting engagements are defined in terms of consultants' expertise not specific results to be achieved;
- Scope is determined by problems, not readiness for change;
- Consulting engagements aim for one big solution rather than incremental success;
- Consulting engagements entail sharp division of responsibilities rather than shared responsibility; and finally
- Consulting engagements make labour intensive use of consultants instead of leveraged use and shared knowledge.

I painted a pretty bleak scene for you and I'd like to put that image into proper perspective. We don't have to repeat all of those mistakes. Prevention comes in many forms with the onus falling on both the consulting profession and its clients. First I would like to explore with you what consultants can do.

We're hampered but not incapacitated by the fact that anyone can hang out a shingle that says "consultant." The Canadian Association of Management Consultants represent a sizeable portion, but by no means all, of people who call themselves consultants and it's the members of this organisation who can speak most authoritatively. To earn our Certified Management Consulting (CMC) designation individuals have to demonstrate their knowledge of management and their capacity to consult according to international standards of practice and ethics. They do this through a combination of university education, experience, peer reviews, formal study and examinations.

While I feel comfortable vouching for the general competence and ethics of anyone who has earned the CMC designation, the designation itself doesn't necessarily mean the holder is qualified to tackle the particular tasks you have in mind. After all each job has its special challenges that may require a specialised set of skills. To make sure that you, the client, hire the right consultants, you need to actively protect your interests. Begin by looking beyond the CMC designation to ensure the consultants have experience dealing with your specific circumstances. Check for academic degrees and their relevance to the tasks. Ask about clients and check out references. You'd be amazed at the number of times a reference has been asked for and recalled. Perform the same due diligence on a consultant as you would in hiring a permanent employee.

Don't be afraid to explore the workings of a consultant's mind and how he or she might approach the set of problems and what results you can expect to get. You want to do this before signing a consultant's contract. There might be limits to what the consultants can divulge but that's the consultant's problem, not the client's. Regardless of whether this process unfolds in personal interviews or presentations look for substance. Hire only consultants who demonstrate a thorough understanding of the particular problems and challenges of your organisation.

The way a client avoids the pitfalls is to do a reality check. If you are in doubt about the direction you want the consultant to take, put your assumptions aside and ask the consultant. If you're not in doubt about the direction you want the consultant to take, then still put aside your assumptions and ask the consultant. The failure to do this is one of the principal reasons for the failure of consultants to live up to client expectations.

Let's face it. Organisations usually call a consultant for one of two reasons. They have internal problems or to put it more boldly they are badly run. Or they are faced with external challenges that they can't successfully meet on their own. And in those circumstances it doesn't make sense for companies to restrict the rescuer (consultant) access to information. The key is to establish a partnership based on trust and the maximum amount of information possible in order to maintain a significant relationship. For the consultant to be effective he or she needs to have unfettered input from the client. This exploratory process helps the client and consultant identify the real source of the problem and helps the client decide whether he or she wants to work with the consultant and the consultant decide whether he or she wants to work for the client. It also builds mutual trust and confidence—prerequisites for any successful business relationship. It establishes roles, clear and specific responsibilities and creates a framework for payment. In short, if you are in the process of hiring consultants you'd better take the reins if you are the client or risk orchestrating your own personal horror show. The great consultants will rise to the challenge. Clients need to be willing to bear the onus of inquisitor, they need to be demanding, to question their own assumptions and pre-judgments and put aside fears. The worst that your probing can do as a client is put the consultant on the spot. But the greatest of consultants will rise to the challenge and work with what they have.

I have a story to share with you as I conclude. I am a lover of classical music and this story reverberated through the musical world just a few years ago. It's a marvellous lesson for consultants.

For any of you who have in fact had the experience of hearing and seeing the violinist Itzhak Perlman perform it is a marvellous one. He came on the stage of the Lincoln Centre in 1995 and if you have ever been to a Perlman concert you know that getting on stage for him is no small achievement. He was stricken with polio as a child, has braces on both legs and walks with the aid of two crutches. To see him walk across the stage one step at a time painfully and slowly is an unforgettable sight. He walks painfully until he reaches his chair. He then sits down slowly, puts his crutches on the floor, undoes the clasps on his legs, puts one foot back and extends the other foot forward. He then bends down and picks up the violin, puts it under his chin, nods to the conductor and proceeds to play. The audience is used to this ritual. They sit quietly while he makes his way across the stage to his chair. They remain reverently silent while he undoes the clasps on his legs. They wait until he is ready to play but this time something went wrong. Just as he finished the first few bars one of the strings on his violin broke. You could hear it snap. It went off like gunfire across the room. There was no mistaking what that sound meant. There was no mistaking what he had to do. People who were there that night thought to themselves that he would have to get up, put on the clasps again, pick up the crutches, limp his way off the stage to either find another violin or else find another string for that one. But he didn't. Instead he waited a moment and then signalled the conductor to begin again. The orchestra began and he played from where he had left off and he played with such passion and such power and such purity as they had never heard before. Of course anyone knows that it is impossible to play a symphonic work with just three strings. I know that and you know that. But that night Perlman refused to know that. You could see him modulating, changing, recomposing the piece in his head. At one point it sounded as though he was de-tuning the strings to get new sounds. When he finished there was an awesome silence in the room and then people rose and cheered. There was an extraordinary outburst of applause and people were on their feet screaming and cheering and doing everything they could do to show how much they appreciated what he had done. He smiled, wiped the sweat from his brow, raised his bow to quiet the crowd and then said not boastfully but in a quiet, pensive, reverent tone: "Sometimes the artist has to find out how much music he can still make with what he has left."

What a powerful line that is. It has stayed in my mind ever since I first heard it. Maybe that should be a way of life for consultants and their clients. It is a fast-paced shaky bewildering world in which we live. We should make music first with what we have and make the absolutely best use of what we have at our disposal. When that is no longer possible we will make music with what we have left. Thank you.

The appreciation of the meeting was expressed by Sharon Rudy, Vice-President, Spencer Stuart and Director, The Empire Club of Canada.

May 14, 2001

Stockwell Day

Leader of the Canadian Alliance and Leader of the Official Opposition

A SINGLE DEMOCRATIC CONSERVATIVE OPTION

Chairman: **Bill Laidlaw**
President, The Empire Club of Canada

Head Table Guests

Ann Curran, Director, Corporate Development International and 1st Vice-President, The Empire Club of Canada; The Reverend Douglas Kramer, St. Philips Lutheran Church; Andrea O'Shea, Grade 12 Student, Parkdale Collegiate Institute; The Honourable Senator Gerry St. Germain, PC, Member of the Senate of Canada, Former Cabinet Minister and Former President of the Progressive Conservative Party; Steve Gilchrist, MPP, Scarborough East; John Reynolds, MP, Party House Leader, Canadian Alliance and Member of Parliament for West Vancouver-Sunshine Coast; Kevyn Nightingale, CA, CPA, President, International Tax Services Group and Treasurer, The Empire Club of Canada; Jason Kenney, MP, Calgary Southwest; and Robert J. Dechert, Partner, Gowling LaFleur & Henderson and Past President, The Empire Club of Canada.

Introduction by Bill Laidlaw

I remember my first meeting with Stockwell Day in 1990 when I was a lobbyist for the brand name pharmaceutical industry. Way up on the fifth floor in a remote office lay Stockwell. He was a backbencher then and the time was 5:00 p.m. but he gave me an hour of his time, as he was genuinely interested in my issues and concerns. He also used that time to brief me on his philosophy on how government should run. I was impressed. Eight years later I met him again when he was a guest lecturer at the Banff School of Management focusing on government relations. He was the provincial treasurer at that time, and he kept the entire class enthralled with his wisdom that evening.

I am meeting him now as the Leader of the Canadian Alliance and Leader of the Official Opposition.

It would not be an understatement to say that Stockwell Day is really a "national" voice. Stockwell has spent his early years in the Maritimes, his high school years in Ottawa and Montreal, as well as living in the Arctic, Northwest Territories, British Columbia and Alberta. With such a background it is no wonder that Stockwell ascribes to, and embodies the diversity of Canadians with a real "people's perspective" that acts as a reality check for a lot of us.

Stockwell has a repertoire of accomplishments. He has worked in a leadership role with young people as a counsellor and administrator at an independent school. For 14 years he represented Red Deer North in the Alberta Legislature, where he served the Progressive Conservative government in a variety of senior roles: Chief Whip, Government House Leader, Minister of Labour, Minister of Social Services and then as provincial Treasurer, Minister of Finance.

This is already a full plate of accomplishments. This culmination of experiences has served him in good stead for his most challenging role thus far. Last year, on September 19, Mr. Day was officially sworn in as a Member of Parliament and became the Leader of the Opposition in the House of Commons. The incredible results of the Alliance Party in the election still seem to be unbelievable when we consider the obstacles.

We consider that Stockwell won his seat with over 70 per cent of the vote in a by-election in Okanagan-Coquihalla. His team increased the Alliance's results in every region of the country. The Canadian Alliance saw its popular vote rise by over 750,000 votes, while toting an increase in Quebec voters by 240,000 in three years. Perhaps "making the impossible possible" should be the motto of the Alliance Party.

The Alliance Party has aggressively been moving forward, and "going further" has always come at some cost. There have been some difficulties, of course, in recent months; however, Stockwell has shown a great deal of courage and character in dealing with current issues that surround the party.

Fortitude, resilience, strength, the conviction to stand for change, an overcomer. These terms come to mind when we think of our speaker and the groundwork which he has been instrumental in establishing. When the dust settles, it is hard to argue with sound initiatives that have all Canadians in mind; initiatives such as: to cut taxes and debt (which has been adopted by the Liberal Government); co-operative federalism; a specific plan on improving the quality and standard of life for all Canadians; some constructive alternatives in ways to make the House work more efficiently; strong leadership, to name but a few.

I'll end by saying that the "inclusionary" philosophy of Mr. Day and his party is inarguable and laudable, including all Canadians in their government, with increased opportunities.

Let's welcome our guest speaker today—Stockwell Day.

Stockwell Day

It is an honour to be invited to be with you today at the Empire Club. In fact, you probably think based on what you've read in the papers that with the kind of time I've been having lately, it's an honour for me to be invited anywhere.

I don't want to talk today about the internal challenges of the Canadian Alliance, which you can read about in extensive detail in the Globe and the Post.

There is no question that the recent weeks have been tough for the Alliance and for me personally. But you know, I've faced tough times before. When I was newly married, and a new father, and running an auction house in Kelowna, British Columbia, our warehouse burned down, and we did not have proper insurance. I had to take a variety of jobs—auctioneering for others, working a log skidder—to feed our young family and to pay back the debts our business owed, because I refused to declare bankruptcy. I have always believed and lived by the adage that tough times don't last, but tough people do.

This is something we have seen in politics again and again. Here in Ontario in 1990 the newly chosen Leader of the Ontario Progressive Conservatives went into a campaign with hope and optimism only to finish a distant third. Grim days and dark headlines followed for months. But it was firm resolve and staying focused which ultimately resulted in Mike Harris and the Tories winning the next election.

In 1996 a promising new leader went into the British Columbia election with a 20-point lead in the polls, but ended up losing the election. For months afterwards, there were calls for his resignation, but his persistence paid off with Gordon Campbell winning 77 out of 79 seats in the next election, the largest majority that province has seen in its history.

And speaking about history, a book about Winston Churchill's life and political career up until 1939 was titled "A Study in Failure." Churchill had failed in almost all of his political ambitions up until the time he became Prime Minister and led Britain to victory in the Second World War.

I'm not comparing myself to Winston Churchill, but these examples show that with dedication and perseverance, in politics as in other fields, you can overcome obstacles and challenges. But I have always felt that it is important that when you go through challenging times, even sometimes painful times, whether personally, professionally, or in public life, that you come back to first principles. At times like these, you have to get beyond the emotional reactions of the moment and remember the enduring values and beliefs that got you to where you are.

And I have spent a lot of time reflecting on why I chose to run for Leader of the Alliance, what I stand for and what the party stands for that makes me think that these principles are worth fighting for.

The Canadian Alliance was created because many people, whether they had been Reformers, federal or provincial Progressive Conservatives, or small-c conservatives from other party backgrounds believed that we needed a unified party, capable of governing from a position of principle. As a provincial conservative cabinet minister at the time, I was an active participant in these efforts from the very beginning. I chaired the Winds of Change conference in Calgary in 1996, was a founding member of the United Alternative steering committee, and spoke at both United Alternative conventions.

Although I had supported the Reform Party federally in 1993 and 1997, I had long felt that it needed to establish itself as a truly national party, with an openness to Quebec. The United Alternative meant becoming more than simply the latest manifestation of western populism, but also a small-c conservative party in the great Canadian conservative tradition from Macdonald and Cartier to John Diefenbaker, to Mike Harris and Ralph Klein. And despite some of the missed opportunities of his government, we must also acknowledge that Brian Mulroney delivered the historic Canada-U.S. Free Trade Agreement that has helped bring greater prosperity to Canada.

And it cannot be forgotten that the Alliance did succeed in fulfilling many of these objectives. In the last election, we were a much more national party, increasing our vote share in nine provinces and beating the Progressive Conservatives in Quebec.

The Alliance became a true coalition of former Reform Party members with many talented new arrivals from the Progressive Conservatives, including members I am proud to have in senior roles within my caucus like Brian Pallister, Vic Toews, and Senator Gerry St. Germain. They round out our team of talented political leaders who have a vision of a united democratic conservative party.

If this growing Alliance is to succeed in the future, we must move forward in this direction towards becoming a national governing party. The Reform Party has already gone through a wrenching debate about broadening its coalition. The members of the Reform Party voted to form a new party that went beyond the boundaries of Reform, and its membership grew from below 70,000 to over 200,000.

Again, the challenge before us is to continue to "think big" by continuing to work for the objective of formal co-operation, and perhaps a merger or coalition, with the federal Progressive Conservatives and other like-minded Canadians.

In the recent debate within the Alliance, the issue of how to move forward in discussions with the federal PCs has become a bone of contention. Some of my critics have accused me of not wanting to move fast enough, or of not being sincere in my gestures on unity and co-operation. On the other hand, some members of our party are concerned that any rush to co-operate with the Tories could signal that we are prepared to abandon our party's principles, and simply hand the direction of this movement over to a small, elite group that does not share our vision.

As we move forward in the next few months, we will need to address both concerns. First, that the time available to unite the parties is limited; and second, the need to remain faithful to the core principles of democratic conservatism. First let me deal with the principles, and then let me deal with the process that can lead to greater unity between our two parties.

I have been open on what shape this co-operation might take—joint candidates, a coalition, or a formal merger and the creation of a new small-c conservative party. But on one point I have been resolute: that any discussions of unity must be based on the democratic conservative principles that shaped the Canadian Alliance.

"Democratic conservative" is perhaps the simplest way of defining our party and its principles, and the broader coalition that we aspire to form. I have used this term consistently to discuss who we are and the kind of partnership we seek with the federal Tories.

To be democratic conservatives means accepting time-tested small-c conservative beliefs in balanced budgets, the free market and private property. We believe in limited, less centralised government, respect for family and community over the intrusive state, concern for law and order and a strong national defence.

At its best, the Progressive Conservative Party has embodied these principles, and certainly there have always been many Progressive Conservatives who have embraced these small-c conservative principles.

But the democratic part of democratic conservatism reflects our insistence on democratic accountability and reform in government. We believe that Parliament must be reformed so that individual MPs can have a meaningful voice; that an appointed, patronage-ridden Senate is a disgrace; and that citizens must be able to have a direct say over governing their country through such means as initiative and referenda. This is the Reform part of our heritage, and this conviction that government must be more open, more free, and more democratic is a central part of our political creed.

In whatever discussions occur between us and the Progressive Conservatives, we are prepared to discuss leadership, we are prepared to discuss our name, we are prepared to discuss individual policies where we may disagree, but we are not prepared to negotiate away our core convictions. The names and faces may change, but our democratic conservative principles will remain the same.

Many of our members ask whether Joe Clark is equally committed to these kinds of democratic conservative principles. In their view, Joe Clark has opposed many of the measures which the Canadian Alliance has supported to improve Canada's economic competitiveness, to restrict the size and scope of government, or to make Canada's government more democratic and accountable.

In the interest of an honest debate on policy differences, fair questions can be raised related to Joe Clark's policy positions. These are not in any way personal; they are policy items that Joe Clark is being asked to clarify.

The Canadian Alliance supported measures to make Canada's employment insurance system a true insurance system and limit repeat use; the Tories under Joe Clark opposed them.

The Canadian Alliance has called for meaningful tax reductions and a single rate of income tax for Canada, while Joe Clark has denounced a single-rate tax and supported maintaining marginal income tax rates higher than the Liberals brought in. But that hasn't stopped Joe Clark from enjoying the single-rate tax which I introduced as Alberta's Treasurer.

It is these kinds of policy stands that led so many federal Tories to get involved in the United Alternative and to join the Canadian Alliance.

So when we sit down with the PCs—and we will—we will not be meeting merely to discuss the party name or the colour of our lawn signs. These considerations are unimportant to the daily lives of Canadians. We will insist on talking about policies and principles. Whatever political entity emerges must embrace sound, small-c conservative principles and a more democratic form of government for Canada. A united alternative to the Liberals must be a principle-based, democratic conservative alternative.

That is why a few weeks ago, I asked Joe Clark to participate in joint policy conferences on health care, economic growth, and democratic and constitutional reform. We have not heard back from Mr. Clark on this initiative, although some of our members are participating in good faith in the policy roundtables Mr. Clark recently announced.

Mr. Clark has made a habit in the past few years of rejecting every offer to create unity among Canada's centre-right forces. He was offered a keynote spot at the United Alternative conventions, but he refused. When Brian Pallister was supporting the concept of joint candidates while he was still a federal Tory, this was rejected at Joe Clark's urging.

Joe Clark has lost two presidents of his party in the past year, both of whom expressed a desire for greater co-operation with the Alliance. Even though an internal survey showed that 51 per cent of federal Tory members want either a coalition or merger with the Canadian Alliance, Joe Clark is still saying no to these discussions.

Unfortunately, Joe's reluctance to engage in any official discussion of co-operation has made it easy for my critics to accuse me of being insincere in my calls for dialogue and unity. They say that I do not really want the parties to come together, as I am not prepared to risk my leadership, and my words about co-operation are just posturing and bluffing.

Well, let me tell you today that it is not posturing or bluffing when I say that I want Canadians to have a single democratic conservative option on the ballot in the next election, and that I am putting my own leadership on the line to see that happen.

Now that I have discussed the principles that I believe in and that the Canadian Alliance stands for, let me now outline a process that could lead to the result we are seeking: a single democratic conservative alternative that can actually form government.

First of all, we must all recognise that time is of the essence. The Liberals have had an electoral cycle of going to the polls every three and a half years. This means that the next election will likely be in the spring of 2004. Both the Alliance and the Progressive Conservatives have national conventions in 2002. If we are serious about a coalescence of conservative forces, we will both have to address these changes next year, including organising a leadership convention to allow us to spend 2003 getting ready to fight the Liberals in the next federal election.

Therefore, if unity discussions are to happen in a meaningful way, they must begin this year to allow changes to be proposed in advance of our respective 2002 conventions.

Second, I believe that the ultimate decision on these matters must be made by the grassroots members of the Canadian Alliance, and I am sure that grassroots members of the Progressive Conservatives feel the same way.

These decisions are too important to be made behind closed doors at so-called secret meetings. (I say so-called because only in Ottawa do you call it a secret meeting and then invite the CBC and the National Post, but that's another matter.)

Therefore, we must consult as widely as possible with all of our members to get a mandate for these kinds of discussions.

Today, I am proposing a way forward towards a truly united conservative alternative that will achieve these goals of moving quickly and moving democratically.

This proposal I am making today will not replace the many great efforts already underway at the local level—in Saskatchewan, in Quebec, and here in Ontario, for example—but will complement them. Local ridings and individual MPs will be encouraged to continue dialogue with each other, but we need a way for our parties to talk more formally at the national level.

I will recommend to our National Council and the Dialogue Group established by the Council that a more focused Unity Committee be struck consisting of senior members of our Caucus and National Council.

I will then ask our council to go to our 200,000 members nationwide in a referendum to give the Unity Committee a mandate to enter into formal discussions with the Progressive Conservatives to create a single, viable alternative to the Liberals in the next election in the form of either a new party or an electoral coalition, provided that this new option will remain faithful to our core democratic conservative principles. As long as we can achieve agreement on these principles, I would support the creation of a new party.

I will urge all members of the Alliance to participate in this referendum and to help unify democratic conservatives in Canada into a single alternative. If a new party results from these discussions, as I hope it will, I will put my leadership on the line in a wide-open leadership race.

This referendum of Canadian Alliance members can occur within 90 days, and will give a clear direction to myself as Leader and to the National Council and Caucus. I would urge Joe Clark to launch a similar process in his party and to hold a referendum of his members, so that we can get on with discussions with a clear mandate, guided by our memberships. Once we have mandates from our memberships, I hope that discussions will take place quickly, so that we can get an agreement on the proposed new option by the end of the year.

And if any agreement is reached, it will be our membership which will have the final say on the results before any merger or formal coalition becomes reality.

I urge all of those who have opposed my leadership within the Alliance, but have called for efforts at dialogue with the federal Tories, to put aside their feelings towards me and support this initiative. If there are other members of the Alliance who believe that they would be better leaders than I, or could persuade better candidates to come forward, then I urge them to support this referendum and to urge the Tories to do the same. The best way to ensure an open leadership race would be to create a new party.

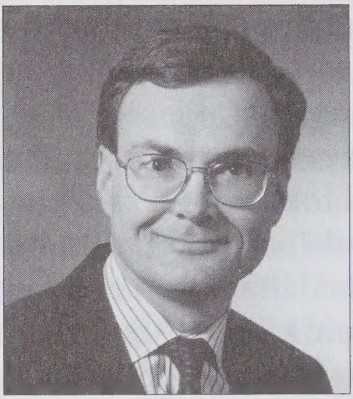
If we are bold, if we are willing to put aside prejudices and preconditions, and if we are true to the democratic conservative principles of the Canadian Alliance, then we will be able to create an entity that is greater than the sum of its parts.

I do not agree with those who say that consolidating our forces will only give us 28 per cent of the vote. On election day last year, the combined total for our two parties was closer to 38 per cent. And the fact that there would be one, clear alternative to the Liberals on the ballot would probably bring some BQ and Liberal supporters our way, as well as motivating some of the 40 per cent of eligible voters who didn't even turn up at the polls last time. Creating a united small-c conservative alternative would not be a zero-sum game.

Canada does not deserve the fate of a quasi-one party state. We need a single viable alternative that citizens will look to with hope and confidence as a future government. I will do whatever I can, including putting my own leadership on the line to see this happen, because Canada deserves nothing less. And I hope that my friends and colleagues within the Progressive Conservative Party, and those who are dissatisfied within my own party, will see in this challenge a common goal that we can work for together for the sake not only of ourselves or our parties, but for our country.

The challenge I am putting before my own party and the Progressive Conservative Party is a large one, but the goal of a more free, more democratic, and more prosperous Canada is clearly worth the effort.

The appreciation of the meeting was expressed by Robert J. Dechert, Partner, Gowling LaFleur & Henderson and Past President, The Empire Club of Canada.



June 21, 2001

Ian Gillespie

President and Chief Executive Officer, Export Development Corporation

TRADING UP: FAIR TRADE IN THE NEW GLOBAL ECONOMY

Chairman: **Bill Laidlaw**
President, The Empire Club of Canada

Head Table Guests

Sharon Rudy, Vice-President, Spencer Stuart and Director, The Empire Club of Canada; The Rev. Stephen Drakeford, Associate Priest, St. Matthews Anglican Church, Islington; Tony van Straubenzee, Managing Director, Russell Reynolds Associates and Past President, The Empire Club of Canada; Uwe Harnack, President and CEO, Canadian German Chamber of Industry and Commerce; Gordon F. Cheesbrough, President and CEO, Altamira Management Ltd.; John C. Koopman, Partner, Heidrick & Struggles and 2nd Vice-President, The Empire Club of Canada; William Blundell, Past Director, Export Development Corporation and Former Chair, Manulife Financial; and Allan Millman, President and CEO, Fantom Technologies.

Introduction by Bill Laidlaw

We are fortunate to have with us today Ian Gillespie, President and CEO of the Export Development Corporation or EDC. For the last 57 years the Export Development Corporation, a crown corporation, has helped Canadian businesses compete in more than 200 countries by providing trade finance and risk management services.

Ian has been with EDC since 1978. He has held such positions as Senior Vice-President, Risk Management and Corporate Performance, and Senior Vice-President, Insurance Services so he brings with him a wealth of knowledge and insight regarding the challenges Canadians face in world markets. If knowledge is power, we should leave much more enlightened today.

It has never been more evident than today that businesses are operating in a borderless environment, particularly through the use of technology. Positioning and empowering your business means finding the right balance and understanding the forces of globalisation and how they impact your business.

At the recent Summit of the Americas meeting in Quebec City, trade and democratic issues took centre stage, so our topic then is a very timely one.

Ian will address three key issues with us today:

- The changing nature of trade and trade financing and the role EDC plays in creating Canadian financial capacity to help our businesses compete in the global markets;
- How EDC is helping to maximise Canadian trade competitiveness, while meeting its obligations vis-à-vis corporate social responsibility;
- The importance of a level playing field for Canada in trade finance and in corporate accountability.

With businesses extending their reach and their dreams, Ian will bring us up-to-speed so that we are better able to manage those inroads.

Let's welcome Ian now.

Ian Gillespie

The majority of Canadians are incapable of starting a conversation without referring to the weather. My contribution in that "vane" is to express the hope that more Canadian companies will view the electricity building in the air as an exciting indicator of the numerous opportunities emerging for global business, and not of the static kind. Seizing the multitude of opportunities whether they be export- or investment-related, however, will take a stronger commitment to broadening corporate horizons and risk-taking, as well as strong leadership and courage.

First an apology to those who thought you would hear more about the post-Summit challenges before us. I realise that was advertised as my topic for today. At the risk of driving some of the people I work with to distraction, I have re-worked my remarks to provide more of a "from where I sit" perspective on what it takes to compete and succeed internationally. Regarding issues germane to the recent Summit of the Americas, let me just say that the verdict is in. Today, more Canadians recognise the merits of trade and its potential for significant wealth creation.

The picture I want to paint is not about the importance of trade to Canada. You know as well as I do that exports represent 43 per cent of GDP—the highest of the major industrialised countries. Rather, I want to discuss what we, that is business, government and academia, need to do collectively to build more competitive teams for the recently inaugurated business Olympics among countries and companies as they compete furiously for mind share as well as market share.

Competing as individual businesses or as sovereign entities, the global economy has become, whether we like it or not, a giant league table-type contest played out 24 hours a day, seven days a week. A perpetual contest without seemingly a finish line, where you have to be able to showcase the "right stuff" whether it is technology, products and services, risk capacity or, increasingly today, speed of execution or delivery. The name of the game is to grow by competing for attention in a market where everything, thanks in part to the Internet, is on view and offer all the time. No wonder building competitive advantage through comparative advantage is so important. Some of the more successful companies also realise that weighing in with strong partners—in the public and private sector alike—adds significantly to their bench strength and chances of deal capture because "provenance" counts in the final selection process. Viewed in this light, the concept of a more fully developed Team Canada partnership to add global muscle may well have considerable latent currency.

From my vantage point as head of EDC, I have some appreciation of the challenges faced by Canadian industry. We are in the risk business providing trade finance-related services, often in partnership with other financial institutions, to help Canadian companies succeed in the global marketplace. Last year we supported some $45 billion in exports and foreign direct investment on behalf of 5,700 customers. That amounts to almost 4 per cent of GDP—10 per cent of total Canadian export sales. Our customer base covers the entire spectrum of Canadian industry. Customers range in size from emerging exporters with export sales of less than $1 million to the largest and best known marquee names. Half of our customer base is in this emerging category. We are actively taking risk in some 160 countries through the provision of various types of credit, performance and political risk insurance and lending and project financing solutions. Most importantly, we have great people with the requisite knowledge and passion for the mandate, which all Canadian companies can count on to help them grow their top-line revenue as well as protect their bottom line. Speaking of which, we have been consistently profitable. There is no opportunity cost on the $1 billion of share capital invested in EDC, and we are well provisioned against the unexpected having already taken $3.3 billion out of income for this purpose. In this sense I believe EDC does combine the best of public policy with the best of private-sector methods.

Globalisation is creating angst for some because it is akin to a disruptive technology while others can "visionise" it as a form of sustaining technology. Your perspective may depend on the adaptability of your business model and the leadership culture which exists within. There is no question globalisation is making profound changes but rather than debating the merits, suffice it to say that indisputably, it is creating opportunities the world over for Canadian companies. The trouble is, at the risk of stating the obvious, they are not uniquely Canadian opportunities and, moreover, our own back yard may be someone else's clover. Assessing competitiveness in solely domestic terms may be hazardous to your bottom line. Today companies need a broader geographic view, if not a full global perspective, of competitive positioning including productivity, technology, R&D, speed, execution, knowledge, market share, alliances, and financial muscle to avoid being captured as a pawn or strategic asset by others.

For these reasons, companies need to develop a growth strategy which considers not only export activity but also foreign direct investment (FDI). They also need to more frequently re-test their underlying competitive advantage assumptions because of the ever-changing marketplace. Canadian companies—even our most prominent names—are small to medium-size on the world stage. They lack the financial muscle and breadth of resources of the industry leaders in a game where often scale counts. We need to educate the public more about these new realities. We need to champion greater global risk-taking and applaud successful efforts. In short, we need to build more world-class organisations in Canada. We need to make big companies bigger, and help smaller companies play leapfrog—giant leap frog, wherever possible. And we can do it by going after a bigger piece of the export and investment pie.

Right now, a mere 100 exporters account for over 50 per cent of Canada's total exports. In FDI terms, Canada's share has been slipping in recent years. If foreign investment is a primary driver and leads export activity, Canadians are not keeping pace. In a world where large transnational companies are the driving force in terms of investment, R&D and technology, we need to build and attract more of them.

When we think of Canadian world-class companies, names like Nortel and Bombardier spring to mind. I define world-class as those that dominate in their respective sectors, employ large numbers of brains, and act as incubators to the creation of other new innovative companies. Nortel has achieved this status partially through its substantial R&D which represents more than 25 per cent of total private-sector R&D spending in Canada. These kinds of companies also contribute significantly to Canadian prosperity because a majority of their suppliers are small and medium-size enterprises.

Both Nortel and Bombardier are major customers of ours because they have discovered that competing on global markets requires not only good products and services but also good financial partners who have risk appetite, market knowledge and deal-structuring capability. You only have to compare these companies in market capitalisation terms to the most recognisable global names in their industries to realise how tough the competition can play. Industry leaders are multiples bigger and so too are their financial partners. Scale on the world stage is important.

I don't think we are doing enough collectively to seize the global opportunities and to position ourselves for the future even though macro-economic conditions are looking increasingly favourable. The debt, interest rates and taxes are all coming down, inflation and employment levels are looking good and the dollar is offering foreign buyers of Canadian goods and services deep-discount shopping. There is no question export performance has been terrific mainly because of that strong engine of growth to the south. Long may it last but companies need to push even further afield and take up additional global supply chain, export or investment ideas. Maintaining competitiveness by "inputting" comparative advantage and growing top-line revenue is a sine qua non towards success. What would Canada look like today if the fur traders and other pioneers some 200 years ago simply exploited the status quo within 200 kms of Montreal? With the technology of today, worldwide opportunities exist at our fingertips or face-to-face in the same amount of travel time.

Given the entrepreneurial spirit which is growing and evident through the number of new start-ups, a good news story can be told, but the focus seems for the most part to be somewhat parochially concentrated on the U.S. market. The time is right to also look to establish a presence in Latin America, Europe and the Asia Pacific region. Given the dynamic business sector, which is rapidly developing in Mexico, for example, as I again witnessed a few weeks ago, we can't assume the American market will be open to others only at our invitation. Interestingly enough, the world's third-largest cement company and third-largest copper producer are headquartered in Mexico. Very significant achievements for a country that hasn't had all the economic advantages enjoyed by Canadians ranging from health care and social assistance to well-developed credit and capital markets. Capitalising on the early advantage of free trade in BComs, MBAs and PhDs offered by the leading business schools of the world may have been part of their successful strategy. Ironically, it may also have been because of the limited depth of the capital markets in their own country that many of the leading companies were forced to borrow offshore in U.S. dollars and needed as a consequence a U.S.-dollar source of revenue as a natural currency hedge. Going global may have been less a choice but a matter of survival. Such basic needs often build strong competitive instincts.

Bilateral trade between Canada and Mexico amounts to some $12 billion currently weighted 2:1 in Mexico's favour. As Canada's fourth-largest trading partner, Mexico represents a rapidly growing opportunity for Canada too. Mexico, for example, needs tens of billions of dollars invested in the energy sector alone over the next five to 10 years to keep up with demand and avoid a California-like outcome. We need to collectively put ourselves in the driver's seat in going after this business. These kinds of opportunities are emerging across industries in Mexico but also in many other countries around the world. We need to react to these situations with greater urgency and with more concentrated public/private collaborative effort. Opportunity foregone by Canadians becomes someone else's revenue and they may be building to scale to create the very comparative advantage we require to play the global game successfully. In the end, you get whatever results you are willing to tolerate.

Business, government and academia need to co-ordinate our leadership efforts to position Canada for global success now and in the future. This includes identifying global opportunities, and then investing in the technology and people required to capitalise on these.

For example, as other countries develop their world-class global competitors, we should look for chances to feed off their global-sourcing requirements. And I don't mean just in terms of the raw or intermediate inputs to their production processes. They, by definition, need methods of communicating between operations, which creates demand for telecommunications, computer technology, helicopters or planes. They also need consulting and engineering services, environmental technologies, furniture and other physical infrastructure. The list is endless. Now is the time to build interconnected networks of world-class companies to service other leading global players. We have all the ingredients. We just need to experiment with the recipe. Here is a great chance, for example, to build some truly scalable global leaders in environmental technologies.

Investment in education is another important part of the equation—the education of young people to develop their awareness of and career interests in the international marketplace; the continuous learning of those on the job; and the education of the wider audience to the emerging micro- and macro-economic key success factors. I purposefully use the word "emerging" because resonating in my mind is the story about a class of business students that asked their professor why the exam questions this year were exactly the same as the year before. His reply: "Because the answers this year are different."

EDC has made education and youth employment our cause of choice, creating what we call our EYE strategy. This strategy includes 18 national scholarships and work terms; the hiring of 50 summer students; an investment in the curriculum of the Forum for International Trade Training, Canada's centre for international trade training and certification; sponsorship of the Centre for International Business Studies at Dalhousie University; sponsorship of Global Vision-Junior Team Canada which introduces secondary and post secondary students to foreign cultures and the international business environment; and investment in the development of case studies for business school purposes.

We also invest heavily in our employees—"EDC University" as I like to call it—currently the largest pool of trade finance talent under one roof in this country.

We are taking a leadership position in key markets as well, having recently expanded the number of EDC representatives stationed outside Canada and co-located with embassy staff. We are looking to add to our current presence in Mexico, Brazil and China. There is no better way than persistent face-to-face business development efforts on the ground in foreign markets. Ensuring adequate trade commissioner service resources, and having any provincial business development representation fully co-ordinated is important to our ability to get the Canada story clearly sold. As the expression goes: "You never have a second chance to make a first impression!"

Knowledge and credit (or more broadly risk appetite) are also important differentiators today to be able to grow our international profile. It is, therefore, disappointing to see that the number of foreign bank branches of Canadian banks and the number of foreign news bureaus of our media continue to shrink. While it is easy to dismiss this argument by suggesting these items are now freely available global commodities, I can't help but think in the contest for mind share and deal capture we are adding to the challenges. Indeed, at the very time when we need to be more globally cognisant, we may be becoming unwittingly more North American centric. But I digress.

So what are the trophies to be had in this global relay race already under way if more Canadian companies can seize more of the available opportunities? There are several obvious ones. Number one would be sustainable economic performance. That is not to suggest it would all be clear sailing because to some extent crises are endemic. However, stronger diversification is likely to lower overall volatility and shorten the recovery time from periodic bouts of anaemic growth. It is, as we know, more difficult to build strength from weakness. As well, building global influence in political and economic terms is more confidently enhanced under these conditions.

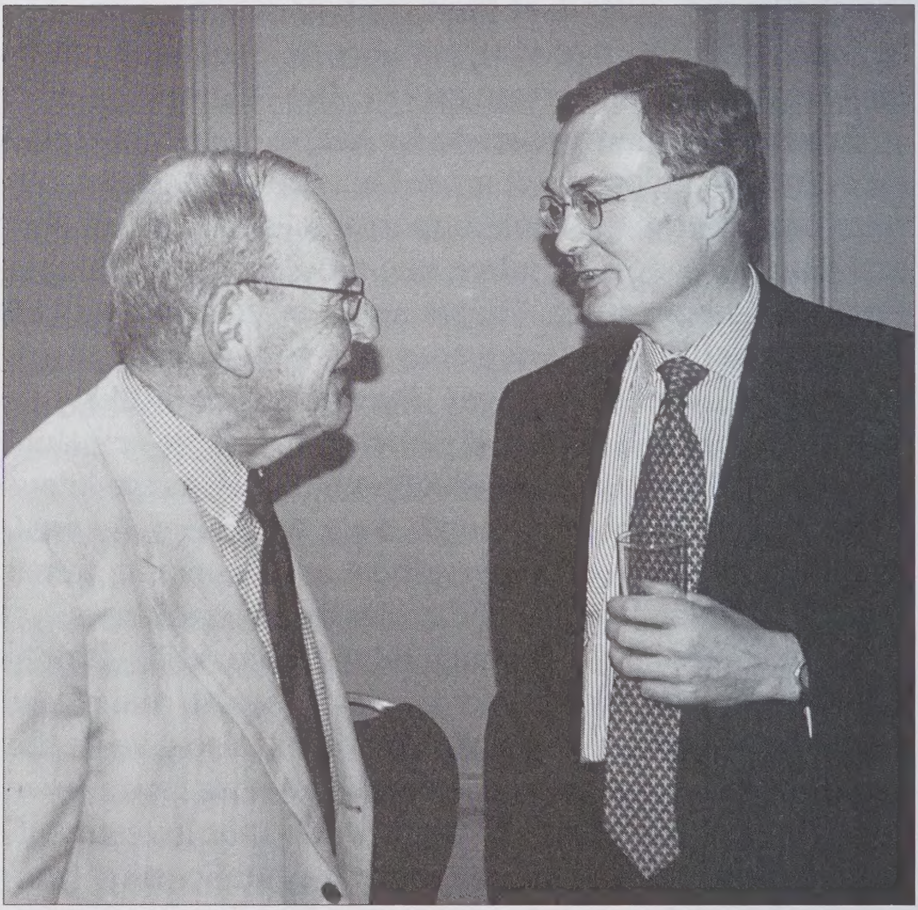
A broader base of economic relationships will not only facilitate the export of Canadian values (social, rule of law, anti-corruption, environmental) but it will also give us the means to safeguard them at home. The more revenue we generate, the more money there will be for investment, job creation, entrepreneurial activity, public infrastructure and social support programmes while allowing for lower taxes, lower interest rates and healthy surpluses.

It is also our means to contribute to building successful economies elsewhere which is really the best anti-poverty solution yet devised.

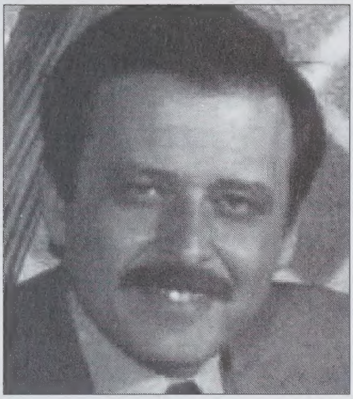
Now is the time for Canadian companies to move up the league tables by seizing the abundant global opportunities. Our prosperity depends on it. EDC will be there as a catalyst and as one member of a strong supporting cast.

Thank you for your attention.

The appreciation of the meeting was expressed by John C. Koopman, Partner, Heidrick & Struggles and 2nd Vice-President, The Empire Club of Canada.



The Honourable Barnett Danson, PC, OC, Consultant and Honorary Director, The Empire Club of Canada and Ian Gillespie, President and CEO, Export Development Corporation.



June 28, 2001

A joint meeting of The Empire Club of Canada and The Royal Commonwealth Society, Toronto Branch

Mark Starowicz

Executive Producer of the CBC's "Canada: A People's History"

THE CANADIAN EXPERIENCE: LESSONS FROM THE CANADIAN HISTORY PROJECT

Chairman: **Bill Laidlaw**
President, The Empire Club of Canada

Head Table Guests

Edward P. Badovinac, KH, Chairman, The Good Neighbour's Club of Toronto (a day centre for the older, homeless and unemployed man), Director, The Empire Club of Canada, Chairman, The Empire Club of Canada Yearbook and Council Member, The Royal Commonwealth Society, Toronto Branch; The Reverend Vic Reigel, Christ Church, Brampton; Anne Gravel, Grade 11 Student, Collège Francais de Toronto; Adam Ostry, CEO, Ontario Media Development Corporation; John S. Smith, Senior Manager, Private Banking, Royal Bank of Canada, Freeman of the City of London, Immediate Past President, British Canadian Chamber of Trade and Commerce; Dr. Ramsay Cook, Adjunct Professor of History, University of Ottawa, General Editor of the Dictionary of Canadian Biographies and Senior Advisor, "Canada; A People's History"; Major The Hon. Joseph H. Potts, OStJ, CD, QC, Former Judge, Superior Court of Justice in Ontario and Past President, The Empire Club of Canada; Jocelyne Côté-O'Hara, Principal, C_20 & Company and 3rd Vice-President, The

Empire Club of Canada; Kathryn O'Hara, Former CBC TV and Radio Broadcaster and Holder of the CTV Chair in Science Broadcast Journalism at Carleton University; R. Doug Hogan, Vice-President and Chief Financial Officer, The Dominion of Canada General Insurance Company; and Noreen Clement, Chair, The Royal Commonwealth Society, Toronto Branch and Adult Educator, Burnhamthorpe College.

Introduction by Bill Laidlaw

When I was growing up I had the good fortune of having parents who felt it was important to expose their children to all aspects of culture. One of their true loves was history—North American history. That meant that during our public and high school years my brother, sister and I visited virtually every museum, fort and battlefield on this continent.

These experiences led me to a lifelong interest in history and specifically Canadian history. It was the only subject that held any real interest for me in high school and university. It was not coincidental that upon leaving university I became a history teacher. The subject of history and its importance to Canada is critical for our understanding of this great nation of ours.

It is my pleasure today to have one of Canada's great recorders of history as our guest speaker.

The Canadian Encyclopedia describes Starowicz as the creator of the most influential news programmes in Canada since 1970. These include "As It Happens," "Sunday Morning" and "The Journal," which he created and guided with the late Barbara Frum through its 10-year history.

History has been a passion for Starowicz all his life. It was such a passion that he couldn't stay in the classroom; he had to live it. He graduated in History from McGill in 1968. He stayed a year longer as editor of The McGill Daily, where he was involved in the rich social and political debate of the period.

He has won the Gemini Award for best information programming six times. He has written extensively. He has written for the New York Times Magazine, has been co-editor of The Last Post, a journalistic magazine of the sixties and seventies and has been a reporter for The Gazette and The Toronto Star. He has delivered papers on the future of broadcasting in Washington, San Francisco, Naples and Paris, and is considered one of Canada's experts in the history and evolution of broadcast communications.

Over 25 years his hobby has been to assemble an extensive collection of original historical newspapers dating as far back as

1644 and includes papers edited by John Milton. The only earlier copy of The Oxford Gazette than his is in the British Museum. He has the complete Globe coverage of the Riel Rebellion.

Being raised in the midst of evolving history influenced his love of it. His heritage is also probably responsible for his interest. His father was a Polish bomber pilot with the Royal Air Force and won the Polish Cross of Valour four times. His mother was in the Polish Resistance, was imprisoned in a German internment camp and was finally liberated by Canadian Forces. She was awarded the Cross of the Warsaw Uprising by Polish President Lech Walesa. Mark has two daughters: Caitlin, whose name reflects their mother's Celtic roots, and Madeleine—Magda—his mother's code name in the Warsaw Uprising.

Mark Starowicz is the head of the History Project, a team of over 30 directors, producers, researchers, cameramen and editors from CBC and Radio Canada, that is compiling the largest documentary series in Canadian television history about Canadian history.

The series, entitled "Le Canada: une histoire populaire" or "Canada: A People's History," will run over two years and began last September. It comprises 30 hours in each language, covering a time span that stretches from the migrations across the Bering Strait to the doorstep of the digital age. It is broadcasted in parallel on the English and French networks, so audiences can see it at approximately the same time. It will become a boxed set of videos that students will undoubtedly turn to for a generation.

Mark describes this as a most exhausting and challenging assignment. He is working with some of the finest names in French and English television, public and private: Mario Cardinal and Hubert Gendron at Radio Canada, and Gene Allen, Gordon Henderson and Sally Reardon at CBC. All are veterans of the flagships of their network fleets.

It is my pleasure to introduce Mark Starowicz.

Mark Starowicz

I have had an extraordinary experience over the past four years—the experience of being part of a team trying to recuperate our past, and recast it into the grammar of the television and Internet age. Furthermore, we've also done it, for the first time, for both Canadian language communities simultaneously. "Canada: A People's History" ("Le Canada: une histoire populaire") has been an adventure which meant living with ancient documents like the Jesuit

Relations on the one hand, and on the other living with dual-language websites, books, DVDs and electronic curriculums for children who haven't even been born yet. One foot in the past and one foot in the future.

What can I tell you this afternoon about these extraordinary four years which brought together 100 historians, created a joint French-English unit of the best journalists and cameramen, and embarked on an improbable journey? A journey which took us to the farthest reaches of the Arctic, to communities I barely knew existed; a journey in which we opened the vaults of memory and confronted every toxin in Canadian history. I thought I knew this country reasonably well, having been a journalist for 35 years. But if I spent 10 years trying to write an account of this expedition to the past, I couldn't capture everything I learned.

History is a very powerful instrument, because it is the basis of culture and of self-definition. The first thing a totalitarian regime does is rewrite the textbooks. The Chinese Revolution rewrote history, as did the Russian Revolution and Nazi Germany. History is like plutonium; it has the power to unleash extraordinary forces. One of the ways you dominate or conquer a people is by hiding their history from them.

I remember when Hanya, my cousin 10 years younger and like a sister to me, left Poland under martial law and began life again in France. She is a lawyer and a very educated woman from an established old Polish family. When she came to France, she finally learned the history of her own country, Poland, and the history of the War that shattered our family. Entire battles, entire legions of Polish fighters and entire resistance movements never existed for her. The communist regime had simply omitted half the reality of the twentieth century from an intelligent university-educated woman in the age of direct-dial telephone and satellite communications. Don't believe all this Internet mythology. It is possible to delude a nation of people in one of the oldest and most cultured civilisations in Europe.

I wanted to do the history of Canada in a broad and sweeping epic, because it was the single most subversive thing I could think of doing. After 35 years of working in French and English Canada, years that were dominated by "As It Happens," "Sunday Morning" and "The Journal," I began to feel we were constantly moving in the same patterns. The country seemed crankier than ever after Meech Lake, Charlottetown and the last referendum. There was a growing uncertainty and anxiety as Canadians were being drawn into uncertain economic and political constellations and faced a technological revolution that seemed to challenge the very idea of the nation state.

The country seemed more regionalised and polarised than ever. The apartheid of French and English seemed as watertight as ever; our airwaves more American than ever.

I said it was the most subversive thing I could think of doing and I meant it, because there was something very particular about Canadians' attitude to their history. It is one of the only countries in the world where people will tell you that their history is boring. Now think about this. You won't hear an Irishman, an Englishman or a Frenchman say that about their history. Nor an Italian, a German, a Pole, a Mexican, a Brazilian. Certainly not an American. They don't know their national history any better than we know ours, I find. Somebody in Arkansas is not better schooled in history than someone in British Columbia. You'll look long and hard before you find an ordinary citizen in any of these countries say his past is boring. It won't take you longer than five minutes to find an English-language Canadian who will say our past is not very interesting, and at best a tepid story. In its most benign form, you'll find people say that it's dull because we are a peaceful and industrious people, and we didn't have the horrors and civil wars of other countries. Either way, the common denominator is that it's a pretty lukewarm story.

We then blame the school system and the teaching of history, though I find it hard to believe that empirically, we have a higher proportion of bad textbooks and poor teachers than the average industrialised country. Instead, we constructed the myth of the absence of history and added to this myth such barnacles as: "We're a meek, polite people, slow to anger, a bit apologetic; not only is our history dull, but we're kind of dull."

History is, among other things, the process of sorting out the experience of the past and setting aside what we consider to be valuable, and what traumas and triumphs we choose to identify as defining our character. Vimy is an example of that. Dieppe. But more Canadians died in Ortona than Dieppe, and I'd bet a week's salary that 90 per cent of the members of Parliament, and a larger number of people passing by outside right now have never heard of it and it happened less than 60 years ago.

It's not a healthy thing to avoid defining what we value and what we don't of our collective experience. It is a form of denial; a cognitive dissonance. We don't have to agree on Riel, for example, but to fail to confront that defining moment in our history is to deny the existence of a race of people, the Metis. It's a fundamental breakdown in a very important social dialogue.

The most dramatic moment in our first episode (and we have hundreds of letters telling us this) is when the camera shows a map of North America in aboriginal times and reveals a jigsaw puzzle of more than 50 major nations and territories of people. North America on the eve of contact was a more complex mix of nations than the map or Europe today. Fifty distinct languages were spoken here. To not know this about the past is an obstacle to the development of the present.

There is a chapter in the first episode about the ritual burial site at L'Anse aux Moor in Labrador which seems routine enough until the script says the following: "Before Rome, before Babylon, before the pyramids of Egypt, before the invention of the wheel in Mesopotamia, a sombre and ritual procession of people stood here to bury a child." A history of peoples and languages that predates the pyramids and Babylon? I didn't know that. All the maps in my textbooks at school and in my memory show where Jacques Cartier landed, the Port Royal, Quebec, and the rest of the continent is blank.

I didn't know there were two battles of the Plains of Abraham. The second one was fought on the same spot six months later, with even bigger armies, and the French won. I didn't know that. Most Quebecers don't know that.

That was the single most recurring phrase in the series. The producers were always saying it. Then the audience by the millions were saying it.

I remember telling his Excellency Romeo LeBlanc about how ashamed I was that after 35 years of journalism, with a degree in history, I had never heard the remarkable story of the fireboats. When Wolfe's fleet arrived off Quebec, the French launched 100 ships and rafts all chained together in a necklace a mile wide. Each boat was charged with explosives and drifted down the current to engulf the English fleet. A mile-wide chain of blazing volcanoes, as one British officer described it. I said I've got a degree in history and I didn't know that. He said: "Mark, I'm the Governor General, and I didn't know that."

History is fascinating. Why wouldn't it be? It's mathematically impossible to have 30 million people and not have an interesting history, if you think about it.

What is going on?

How did this extraordinary and dangerous myth take such deep root?

Part of the answer lies in our colonial past, when the histories are written from the imperial, metropolitan point of view. It took a long time for us to see our history as a North American history, and seen from this side of the ocean rather than the other. But that disappeared with the Second World War and the Canadian historians came to the fore, so it's no longer a satisfying answer to the puzzle.

But I think the real answer does contain a major colonial ingredient. I don't think it's our schools, or our teachers, or our historians. I think it is our national communications system. I think it's television and cinema. If you look back over the past 59 years of our electronic culture, you will find us largely absent. Our television system is essentially a branch plant of the American communications system and one of its striking characteristics is the relative absence of the Canadian experience.

I've been obsessed over the past four years with trying to distill the Canadian experience and to find what shaped us. Here are some of the thoughts that came out of our four-year adventure.

The first common denominator to all Canadian communities is the rejection of class, rank and hierarchy, and the insistence that everyone possesses the same rights. It's striking. As I've said before, it is unacceptable to be rude to a waiter or waitress in this country because your son and daughter are going to be one some day. And there is no greater blunder than to pull rank. We are a profoundly egalitarian society, and the roots of this are perceptible from the very origins.

Per Kalm, a very early Swedish traveller in New France, observed that: "Unlike the American colonies, everyone here calls each other Monsieur and Madame, everyone bows in the street as they pass. Here they can hold land, they can hunt, which they can't do in Europe, and they can hold title to their land. This breeds an individualist spirit. In fact, this individualist spirit is complained about in all the parish records by priests."

Contrary to the myth of a priest-ridden society, as one cure wrote: "They come to church only for baptisms and marriages, and ignore the dictates of the church. Everyone here considers himself a prince in his own domain, and accepts no authority. How can we maintain order when they can go into the wilderness any time they want?"

This runs like a constant through every immigration, from the Irish to the Ukrainians to the Scots, and is firmly planted in the Canadian character, and it is sharply different from any European country today.

The second common denominator you can't escape from is the profound effect of climate. It is striking how we are shaped by the winter. As individualistic as we are, it is ingrained in the Canadian experience to collaborate as communities. The common water supply, the school system, fishing co-operatives, the collective construction of grain elevators, mills, and homes for the elderly and our jealous protection of medicare are simply second nature. Look at the extraordinary flare up in Ontario over public funding of private schools. The climate naturally shaped us into tightly knit communities which are operated by a town-hall meeting culture. Our closest American soulmates are New Englanders, and other strong community cultures of the snow belt.

Third, I am struck how we are an archipelago of distinct communities. I've just returned from two funerals for colleagues who died this year in the Canadian history project. One community service was in Shediac, New Brunswick on the Acadian shore, the other on the Magdalen Islands. They were extraordinarily moving experiences and I was struck, as I have been through the whole series, by the depth of community and roots in every Canadian's life. Everyone has a very clear idea where home is. A key to understanding the Canadian political process is that this country is very much a parliament of individual communities and identities, a community of communities as Joe Clark said, which will bristle at any infringement of their community rights, probably more than any country in the industrialised world. I would not have dreamed, at the beginning of the project, how strong, vibrant and intact that reality of Canada still is, despite television and Internet, and internal migration for jobs.

Fourth, and above all these common denominators, was this: Almost everywhere we went, almost any diary we read had the common experience of refuge. Almost all of us, apart from the First Nations, have at the core of our being the experience of refuge. Any French Canadian will tell you from whom he descends—sometimes back to the 1600s. Many will name the first mother. Some will even name the ship. But they will never go farther back than that. The ancestor is the one who came. Who the great grandfather was in France doesn't matter. Scratch most Canadians—Loyalists, Ukrainians, Jews, Scots—and you will find the story of the passage. Almost always, it is a story in three stages. First is the trauma, the adversity from which they fled, be it the highland clearances, the famines of Ireland, persecution in Eastern Europe, Blacks fleeing the American south, or the draft dodgers of the sixties. There are three stages to the story—the adversity, the passage and finally, after the hard first years here, the redemption, the planting of the new root. Canadians compete to tell each other how hard they or their ancestors had it, and they describe the hard winters at the beginning, only to end the story with the successful taking of root. This is not the case in most of the world. It is very much a new world experience. It is written in the maps. Cap de l'Esperance. Cape Redemption. Port Hope.

We are an archipelago of refugees. New France, abandoned by her empire, and traded to the British for the sugar island of Guadaloupe, lives today in the character of Quebecers who are acutely aware they were abandoned and fiercely proud that they survived as a nation of people against all odds. They celebrate their roots in the filles du roy, the abandoned children of Paris, the unwanted and rejected debris of France. The second pillar of the country are the Loyalists, a civilisation of people virtually driven out by their Republican neighbours. The country was founded on two unwanted peoples—one abandoned and the other driven out. And it grew by waves of the unwanted, the starving of Ireland, the Scots driven out of the Highlands, the English of Susannah Moodie's generation who were marginalised as a class after the Napoleonic wars were over and nobody wanted the soldiers any more. They are followed by the Ukrainians, the Mennonites, the Dukhobors, the Sikhs, the Japanese and Chinese, the wartime emigration of Jews and Poles and peoples of the Balkans.

At the core of the Canadian character is the collective experience or ancestral memory of refuge and redemption. We are the abandoned, the expelled, the persecuted, the economically marginalised who have, at the root of our being, the same story—that we shall find sanctuary in a new world. We are mistrustful of ideology and of extreme nationalism, because many of us are victims of ideology and extreme nationalism. We are jealous of our individual space, because ancestrally we lost, or never had, our individual space. We are wary of governments, because many of us are here because of arbitrary governments. We are capable of considerable military prowess and valour, but we will liberate, not invade.

Beyond the common experience of hope and redemption, there is another unifying common denominator. We are the children of the debris of history. That is the as yet unexpressed nobility at the core of the Canadian experience. The country is founded on two nations—one abandoned and the other driven out. On that foundation of two rejected peoples are the building stones of the hundreds of peoples who came here fleeing racism, political persecution, starvation, or simply the basic human search for an honest living and a better future for their children. Yes, there were adventurers, entrepreneurs, romantics and zealots, and some people arrived on business class, but 90 per cent of us have in our common experience that we were unwanted where we came from.

That is at the core of the Canadian character. That, in my experience, is what underpins what I've found. It underpins the striking egalitarianism and disdain of rank and class. It underpins the fierce insistence on survival of community, language and particularity, that reinforces the tendency to collective community resource and self help. We take care of our own, because we have ingrained in our genetic memory that we had to take care of ourselves and each other.

And that leads to the fifth and last striking characteristic of Canadian history—civility. The history of Canada doesn't lack violence and massacre and racism. But what is most striking is 400 years of political and social accommodation. From the Great Peace of Montreal that ended the French-Indian wars, to the Quebec Act that established the duality of Canada's character, to a Confederation of very intricate checks and balances, Canadian history is marked by a genius for accommodation and negotiation. It is a platform placed on 1,000 countervailing stabilisers and gyroscopes that assure nobody ever gets the upper hand. Fatiguing as it is, we are unique among nations to be able to say that since the War of 1812 and the Northwest Rebellion, more people die in road accidents on a Labour Day weekend than have died in any battle on Canadian soil. And to the frustrated question: "When are we finally going to settle this argument?" the answer of course, is: "Never. That's not the problem, that's the point."

Australia, the country which most closely resembles our experience, spent most of its history denying its convict past, until some 20 years ago, when Robert Hughes wrote "The Fatal Shore," a book which transformed the Australian psyche and made them embrace the fact they were born of the prison ships of England.

What has eluded us is the sheer nobility of the idea that we are the debris of war and empires and famines, that we are rooted in the dispossessed. Take the victims of the Highland clearances, the escaped slaves of America, the abandoned colony of France, the Selkirk settlers, empty the dying Ukrainian villages, take the refugee camps of post-war Europe and Uganda, the bobbing rafts of boat people on the South China Sea, and place them on the second-largest land mass on the planet. Sanctuary. What an extraordinary concept for a nation of people. And that the children of the unwanted should be those that returned to the old world in convoys and troops ships to liberate Italy and France and Holland and the countries which didn't want their ancestors is an idea that's almost Shakespearean.

When the Canadian history series was aired last September, I learned the biggest lesson of all, which I will share with you.

We would have been satisfied with half a million viewers. The first episode got 2.5 million viewers. And with every ensuing episode it was like being hit by a hurricane of letters, e-mails and phone calls. The book of the series, which cost $69, became the best-selling non-fiction book in Canada. The website was swamped. The video boxed set had to go into four printings. In my wildest prayers I never imagined that we would be able to say that Canadian history documentaries, two hours long, beat the Stanley Cup Playoffs, the Olympic opening and closing ceremonies, and that the lead paragraph in the Ottawa Citizen would read "Who Wants to be a Millionaire" plunges by one million under withering fire from the Canadian history series. It was the most viewed documentary in the history of Canadian television, even going back to the days when we only had one channel in this country.

The myth that Canadians were not interested in their history died that night—October 22, 2000. What emerged instead was that we had starved Canadians of their history. We had so deprived them of their stories and their experiences, and substituted an imported system of American mythology, that we had deluded our own people, through omission, into believing they didn't have one. That is the single staggering lesson to be taken from this project.

If Canada is the archipelago of communities and identities that I believe it is, it is starving from the need to learn everyone's story, starving from the need to find the links that bind and the need to see others on the screen. What Canadians are saying is: "Link us, bind us, hear our stories, show me everyone else's."

Instead, through decades of bad policy and haphazard regulation, we created a national communications system that has preserved the solitudes, preserved the French-English apartheid, and pumped the American experience to Canadians. Out of 76 channels in Toronto, three—CBC, Newsworld and TVOntario—are public-sector channels transmitting in English. Everything else is ruled by the iron law of the marketplace, which will always favour importation over indigenous production.

Think about it again. Last fall and winter, you witnessed a nation of people surprised and thrilled to discover it had a rich history. That is the legacy of a culturally colonialised communications system.

A country that is shaped by so many particular experiences in so many particular communities will survive in direct proportion to how the experiences can be shared. A country which is a constant negotiation of its constituent parts to maintain its stability needs to have the arteries of communication and dialogue. Communication and discourse is the sine qua non of Canada. We can still lose it. In six months, we will be celebrating the founding of public broadcasting in Canada and the vision of men like Graham Spry and Alan Plaunt who understood we must use this new technology of radio to preserve Canada.

I pray that as we face an equally titanic communications revolution today, there will emerge the visionaries who understand that we must use it to link our people and share the Canadian experience.

I went into this project with a sense of an eroding country.

Four years later, on the eve of our 134th birthday as a nation, I have seen a tremendous force building out there, as if we were drilling in the fields of memory and hit a titanic dome of yearning and pride that blew us away.

I think it came to me when I was watching the rushes of the Loyalist flights to Nova Scotia, as transport ships from New York dropped thousands of families onto the rocky beaches to face the impending winter. It looked identical to the scenes in Kosovo, which was on the news at the time we were filming. Then came these quotes over the achingly lonely scene of huge ships departing on the horizon:

Sarah Frost: "It is, I think, the roughest land I ever saw. But this is to be our city they say."

Sarah Tilley: "I climbed to the top of Chipman's Hill and watched the sails disappear. Although I had not shed a tear throughout all the War, I sat down on the damp moss, with my baby in my lap, and cried."

I have no connection to them; it would be 200 years before the Starowicz family came here. But I found my eyes moistening and I tried to hide the fact from the rest of the staff in the theatre. When the lights went on, I saw that I wasn't the only one overcome. The researchers in the theatre that afternoon were French, Chinese, Jewish, English. It's then that I got the point of why it struck us all. This was our story too. The experience of refuge, the experience of arrival in a strange and alien place of terrifying beauty and the fear of an uncertain destiny are the common links in the Canadian experience. We are not linked by blood. But we are inextricably linked by the common experience of refuge, hope and redemption.

You cannot imagine the power and the pent-up energy waiting to be released out there. The profound, pent-up conviction to discover and assert who we are, and the willingness, in fact the hunger, to adopt each other's heritage into a collective memory.

The people I met know exactly who they are.

It is up to us, now, to renew again the ties that bind—the arteries of communication and art that will allow us to share the extraordinary Canadian experience.

Thank you.

The appreciation of the meeting was expressed by Noreen Clement, Chair, The Royal Commonwealth Society, Toronto Branch and Adult Educator, Burnhamthorpe College.

Mark Starowicz, Executive Producer, CBC's "Canada: a People's History" and Bill Laidlaw, President, The Empire Club of Canada and CEO, St. John Council for Ontario.

September 21, 2001

Jane Kennedy

Minister of State, Northern Ireland Office

CURRENT DEVELOPMENTS IN NORTHERN IRELAND

Chairman: **Bill Laidlaw**
President, The Empire Club of Canada

Head Table Guests

Montague Larkin, CA, Former Executive Director, The Ireland Fund of Canada and Honorary Director, The Empire Club of Canada; Reverend Edward J.R. Jackman, Canadian Catholic Historian; Jason Nykor, Ontario Sales Director, PR Canada; The Hon. David Young, MPP, Attorney General of Ontario and Minister Responsible for Native Affairs; Peter L. Agar, British Consul General, British Consulate General; William J. McCormack, OStJ, Retired Chief of Police, Metropolitan Toronto Police Force and Honorary Director, The Empire Club of Canada; Heather Connelly, Partner, Heidrick & Struggles; John F. Kearney, Secretary and Executive Committee Member, The Ireland Fund of Canada; and Ken Brundle, Vice-President, Operations, Bombardier Aerospace.

Introduction by Bill Laidlaw

The events of the last week put life as we know it in North America in a different context. The way we carry on our daily lives in this city will no doubt change forever. At least for the foreseeable future we will be very concerned for the safety of ourselves and our loved ones. For many people who live in Northern Ireland, the situation has been one of uncertainty and fear for many years. For some time we have seen on television and read in the newspapers of the bombings and disorder these incidents create. For many of us it is very close to home because of our Irish and British heritage. We feel for our friends and allies over there and now we have a greater appreciation for what they are feeling.

It seems now that peace is at hand, as Neville Chamberlain said, and we hope and pray that this is the case. Today we are very fortunate to have as our guest The Honourable Jane Kennedy, Minister of State for the Northern Ireland Office. Her office has responsibility for security, policing, prisons and fugitives from justice. The role of the Northern Ireland Office is to support the Secretary of State for Northern Ireland in securing a lasting peace, based on the Good Friday Agreement in which the rights and identities of all traditions in Northern Ireland are fully respected and safeguarded and in which a safe, stable, just, open and tolerant society can thrive and prosper.

Jane Kennedy has served as an MP for almost 10 years, initially representing Liverpool Broadgreen in 1992 and becoming the Member for Liverpool Wavertree in 1997.

Throughout her time in office, Ms. Kennedy has served in many key political roles—Opposition Whip, Government Whip, Lord Commissioner and Administration Select Committee Member just to name a few.

In October of 1999 Prime Minister Tony Blair appointed her as Parliamentary Secretary at the Lord Chancellors Department, making her the first woman and first non-lawyer to be appointed to ministerial rank in the department.

Today Minister Kennedy will share with us some of the current challenges she faces in her role as Minister of State. In light of the recent events that have occurred in Northern Belfast which have become international news, she will share with us her plans for engaging the communities involved in the current violence into reaching a lasting solution for the people of Northern Ireland.

Ladies and gentlemen, Minister Jane Kennedy, Minister of State for the Northern Ireland Office.

Jane Kennedy

Bill, thank you very much for that very warm welcome.

I am really very grateful to be given the opportunity to address you today. Canada has been a very good friend to

Northern Ireland over many years and I am delighted to be able to express my gratitude and that of the government for your continued support. I am conscious that I am here as the British government Security Minister in Northern Ireland, speaking to you just a week after the most horrendous act of barbarism was inflicted on the United States. As Tony Blair identified in the immediate aftermath of that outrage, this was an attack not solely on the United States but on the world and on democracy itself. The international death toll is an appalling human manifestation of the true nature of international terrorism. I know that Canada lost many citizens last week and on behalf of the British government I would like to extend my deepest sympathy to the families and friends of those who died. We too in the United Kingdom have suffered grievous losses but just as we are united in grief so are we united in our determination to bring those responsible to justice.

But we must go beyond that. We in the international community must now look with greater co-ordinated focus at the kind of terrorist groups which carry out such acts. We must establish where they are, how they operate, how they are financed, how they are supported, and how they can be most effectively isolated and stopped. The machinery of terror must be dismantled and it can only be done through the concerted efforts of the international community. Those who direct terror and those who give support to terrorist groups, be it political or financial, will find that the context within which they are operating has changed and it has changed fundamentally.

You will know that the people of Northern Ireland need no reminding of the devastating effects of terrorism. And despite the progress that has been made to bring lasting peace to Northern Ireland, there are still those who are prepared to kill and to maim. It will not have been widely reported outside Northern Ireland, but just last Wednesday, the day after our television screens were filled with living horror, an attempt was made to murder police officers in a housing estate in Derry, the second city of Northern Ireland. The police were lured into the area and a bomb was detonated. It was only by the grace of God that those officers were not killed. The bomb was detonated by a command wire. That means that someone lay in wait and triggered the device manually. That person would have watched the pictures as you and I did from America the day before. Such murderous fanaticism has no humanity and we must ensure that it has no future.

The substance of my address to you today has been given the working title of Current Developments in Northern Ireland and, notwithstanding the incident that I have just described to you, there is progress to report, though we still have a long way to go to reach the ultimate goal of a stable, prosperous and, above all, truly peaceful Northern Ireland.

There's a story which I suspect is only partly apocryphal of a traveller in Ireland asking for directions only to be told: "If you want to go there I wouldn't start from here." Peace processes the world over are like that. The history of Northern Ireland has not been a happy one over the last 30 years. Some 3,500 people have been killed in Northern Ireland as a result of what is still euphemistically called "The Troubles." In a population of only 1.7 million this has meant that there's barely a family that has not been touched by tragedy in some way or another. It has left a society that has been deeply riven by fear and mistrust.

A manifestation of that division in North Belfast has been played out on television screens across the world very recently. Two communities living side by side but failing to live together on a basis of mutual respect. Each fearful of the other, each with legitimate grievances which need to be addressed, and a failure to find an agreed means of dialogue to address those grievances, violence and hatred filling the vacuum where there is no dialogue.

And the inevitable result: the innocent—in this case those innocent young children making their way to school—have suffered.

Now the first and the right response is that nothing can justify this hatred and violence being visited upon children. With the full support of the government, the chief constable has been determined to uphold the rights of those children to attend their school. The right to legitimate peaceful process cannot extend to violence, abuse and intimidation. And the police have acted in a controlled and professional manner. The police have come under attack in a right situation with pipe bombs and blast bombs and acid bombs being thrown towards them and indeed shots being fired. Now wherever the violence has come from, the police have demonstrated their determination impartially to uphold the rule of law and the rights of all. Officers of the Royal Ulster Constabulary have acted with great courage and resolution at some cost to themselves in the injuries that they have sustained. But vital as it is that we have a police service that can impartially seek to maintain public order in what we call interface areas like that of North Belfast, the solution is not simply a security solution. Real progress requires local engagement and a wider context of political agreement, stability and peace.

Now our overall objective in the British government is to work towards a lasting and sustainable resolution of the conflict in Northern Ireland. To do so we will do a number of things. We will uphold the principle of consent. Any change in the constitutional position of Northern Ireland can only be made with the consent of a majority of the people of Northern Ireland. Further we will strive to maintain and consolidate the relative peace that we have enjoyed for the past few years in Northern Ireland. Again we will promote equality for all of the people of Northern Ireland. And then we will also do everything that we can to sustain locally accountable political institutions.

Now all of these elements are brought together in the Belfast or Good Friday Agreement. This was the first time that a comprehensive deal had been reached which addressed the three key sets of relationships. And those are those relationships within Northern Ireland itself, the relationship between Northern Ireland and the Republic of Ireland and finally the relationship between the Irish government and the British government.

Now this was not an easy agreement to broker nor has it been an easy agreement to implement. George Mitchell said that implementing the agreement would be the hardest part. Well he was right. All sides had to compromise to broker the agreement. And all sides have to compromise if we are to fully implement it.

Now we should never underestimate how significant the agreement is. Firstly the principle of consent has been established. Then a representative assembly has been formed. A power-sharing executive is in place. Bodies representing both parts of Ireland have been established to address matters of mutual benefit. Formal links between the British and Irish governments are in place and unprecedented levels of co-operation exist. The principles of equality and inclusivity stand at the very heart of the Belfast Good Friday Agreement. The Equality Commission enforces one of the most comprehensive equality agendas in the world. The Human Rights Commission was established to promote human rights in Northern Ireland and is indeed now currently consulting on a draft bill of rights. But while good progress has been made in the implementation of the agreement there remain a number of outstanding issues that have yet to be resolved, and until they are, we cannot move forward to full implementation.

The question of policing in Northern Ireland has yet to be finally resolved. We also have to deal with the issues of normalising the security profile, which is what we call reducing the number of soldiers on the streets of

Northern Ireland, ensuring the integrity of the institutions that were set up under the agreement and putting verifiably and completely beyond use all paramilitary weapons.

A new beginning to policing was at the very heart of the agreement and it had to be because there are two histories in Northern Ireland and two experiences of policing. A commission under the chairmanship of Chris Patten, currently a European commissioner and formerly a conservative minister and governor of Hong Kong, was set up to draw up proposals for this new beginning, precisely because politicians could not agree on a way forward. And what Chris Patten and his commissioners proposed was a radical vision of a community-based policing service which would be capable of attracting the support of the whole community. A new policing board whose members would be drawn from both political parties and from the wider community will hold the chief constable to account. At the local level, district policing partnerships will allow local communities to have a direct say in local policing priorities for their own neighbourhoods. A new independent police ombudsman has sweeping powers to investigate complaints against the police. And without question her powers are way ahead of anything found in the rest of the U.K., in the Republic of Ireland or indeed beyond.

The implementation of the new beginning to policing will be overseen by the former head of the U.S. Drug Enforcement Administration, Tom Constantine, a policeman of immense experience. He has predicted that people from all over the world will look to the new police service of Northern Ireland as a model for modern community policing practice. Of course this cannot be achieved without pain, particularly within the Royal Ulster Constabulary and its extended family. But the gains both for members of the new police service and for the community as a whole will be immense.

I think we are now close to moving forward on the policing issue. Both the nationalist Social Democratic and Labour Party and the Catholic church have called upon their community to give support to the new service. This is the first time in over 80 years that nationalism has openly supported policing and has called on Catholics to join. And just last night we heard that the Unionist Party will also join the policing board. Only Sinn Fein has refused.

Since the Good Friday Agreement was signed, we have closed over 40 military bases across Northern Ireland and we have the lowest troop levels in 30 years. We are committed to further normalisation of the security profile but that will be consistent with the level of threat that we face.

The government is committed to doing all that we can to ensure that the institutions set up under the agreement survive and develop. To do that it has been necessary to suspend them on two occasions, the most recent in August last just for one day, but we as a government cannot force politicians in Northern Ireland to work together for that requires trust. And a key element in establishing that trust will be the resolution of the issue of decommissioning of paramilitary weapons. Decommissioning is as essential a part of the agreement, as is the creation of a new beginning to policing or indeed the renewal of the criminal justice system. Without decommissioning, doubts will always remain as to the long-term commitment to democratic politics in Northern Ireland.

We have made progress in this area but more is certainly needed. The IRA's agreement with the decommissioning commission made earlier this year on how it would put paramilitary weapons beyond use was a welcome step, as has been its agreement to independent inspections of arms dumps. But as the contact with General De Chastelaine was welcome so its withdrawal in August was actually deeply disappointing, although they have in the last 24 hours announced a re-engagement. But that re-engagement is only a further step. It is not the step that will lead to the rebuilding of the trust that I referred to.

Now today the Secretary of State, John Reid, will decide whether to suspend the institutions again to allow a further breathing space of six weeks or to call for elections to the Assembly with the likelihood that an even more polarised political scene will emerge. I can assure you that he approaches this decision with great reluctance and we as a government are faithfully fulfilling our side of the bargain. We and the Irish government have done everything in our power to create the context to move forward. We cannot do this alone. We cannot force people to work in a partnership. It is a cliché but nonetheless true for that. We must show that politics works. And I'm convinced that we can do that. And what gives me heart is the genuine concern and support for the people of Northern Ireland shown by their friends, not least in Canada where the bond is so strong.

It didn't surprise me to learn of the tremendous links that there are between Northern Ireland and Canada. Around four million of your citizens claim Irish ancestry and just over a quarter of the people who come to Northern Ireland on holiday come from Canada. I wish they could bring some of the good weather you've been enjoying this summer with them when they come.

Canada is also a major contributor to the International Fund for Ireland. The objective of the fund is to promote economic and social advance and to encourage contact, dialogue and reconciliation between nationalists and unionists throughout Ireland. I also wish to acknowledge the important work of the Ireland Fund of Canada. This organisation plays a valuable role in fostering the peaceful future that we all want to see in Northern Ireland by funding grassroots community-based projects such as integrated education. I welcomed the opportunity to meet members and supporters of the fund yesterday evening.

I mentioned General John de Chastelaine earlier. I must speak to you about John. He has been involved in Northern Ireland for several years. John was first a member of the three-man commission that examined the decommissioning issue at the end of 1995 and early 1996. In June of 1996 he accepted the offer from the British and Irish governments to serve as one of the three co-chairmen of the peace talks. It was those talks that brokered the Belfast Agreement on Good Friday 1998. John is now the Chairman of the Independent International Decommissioning Commission. A hell of a title but it is a hell of a job too. John has made a huge contribution to building peace in Northern Ireland.

Canada is also Northern Ireland's fourth-largest export market and over the last decade Canadian companies have committed around C$1.5 billion to locations in Northern Ireland. And I'll be looking forward to joining Ken Brundle this afternoon when I visit Bombardier on our last engagement of this visit. All in all a considerable and valued contribution to the future of Northern Ireland and I thank you for it and for your continued support.

And so we look to the future with hope tempered by realism. The poet W. B. Yates writing of a conflict in Northern Ireland at the beginning of the last century said: "The best lack all conviction. The worst are full of passionate intensity." But we still have cruel outbursts of passionate intensity. No one said the peace is perfect but the difference now is that the best, that is the people of Northern Ireland, have found conviction. It's a conviction that there is an alternative to violence. It's the conviction that it is not inevitable that future generations will be forever locked in the past. It is the conviction that despite setbacks and disappointments for the first time the farther shore really does seem reachable.

Thank you very much for listening to me.

The appreciation of the meeting was expressed by Montague Larkin, CA, Former Executive Director, The Ireland Fund of Canada and Honorary Director, The Empire Club of Canada.

John F. Kearney, Secretary and Executive Committee Member, The Ireland Fund of Canada, Jane Kennedy, MP, Minister of State, Northern Ireland Office, Montague Larkin, CA, Former Executive Director, The Ireland Fund of Canada and Honorary Director, The Empire Club of Canada and Peter L. Agar, British Consul General, British Consulate General.

September 27, 2001

His Excellency, Jean-Claude Juncker

Prime Minister of the Grand Duchy of Luxembourg

EUROPEAN POLITICAL AND ECONOMIC ISSUES

Chairman: **Bill Laidlaw**
President, The Empire Club of Canada

Head Table Guests

Sharon Rudy, Vice-President, Spencer Stuart and Director, The Empire Club of Canada; Reverend Kim Beard, Christ Church, Brampton; Tri Nguyen, "A" Average Student, Bloor Collegiate Institute; Fernand L. Lamesch, President and CEO, ARBED Americas Inc., New York, and President, Luxembourg-America Chamber of Commerce, New York; Bob Christie, MPP, Deputy Minister of Finance for the Government of Ontario; Jacques Bilodeau, Canadian Ambassador to the Grand Duchy of Luxembourg; Her Excellency Madame Arlette Conzemius, Ambassador of the Grand Duchy of Luxembourg; Julie Hannaford, Partner, Borden Ladner Gervais LLP and Past President, The Empire Club of Canada; Ray Protti, CEO, Canadian Bankers' Association; His Excellency Henri Grethen, Minister of Economy and Transportation for the Grand Duchy of Luxembourg; and The Hon. Maria Minna, MP, Minister of International Co-operation for the Government of Canada.

Introduction by Bill Laidlaw

Having just returned from Europe and experienced so much of its history in everything I saw, I am amazed at what has transpired on this great continent.

The progress that has occurred in this part of the world is truly amazing. Our Canadian history is really also European history.

I only recently came to appreciate the important role that Luxembourg has played on the European continent.

Reviewing this country's history since 1963 is like trying to remember the teams that won the Stanley Cup in the last 100 years.

Clearly Luxembourg has had a long and illustrious past and is the envy of many European countries. Today I am sure that it is feeling the uncertainties about its personal security and its economic future, just as we do in Canada.

Despite this recent setback Luxembourg and Europe have a promising future and today we are fortunate to have as our guest the Prime Minister of Luxembourg, The Honourable Jean-Claude Juncker.

Prime Minister Juncker is the current Prime Minister of Luxembourg. He is also Minister of State and Minister of Finance.

In 1979 he obtained a Masters Degree in Law and was admitted to the bar in 1980. His political career has been long in the making.

He began a lengthy tenure as President of the Christian Social Youth from 1979–1985 after having joined the Christian Social Party in 1974, and in 1984 he was elected Member of Parliament in the southern district constituency on the Christian Social Party's list.

After the resignation in 1995 of then Prime Minister Jacques Santer, Juncker was appointed Prime Minister, Minister of State and Minister of Finance by the head of state. He kept this post until the resignation of the government after the legislative elections in June of 1999.

Prime Minister Juncker's ministerial appointments are too numerous to mention. He has been fortunate enough to have, and continue to have, an illustrious political career that has spanned two decades.

He was the Chair of the European Council and in 1997 opened the doors of the European Union to 10 central and eastern European countries including Cyprus.

He also assisted with overcoming some of the many challenges and obstacles in establishing a single European currency—the euro.

His presence on the national political scene was increased considerably when on August 7, 1999 he was appointed Prime Minister, Minister of State and Minister of Finance for Luxembourg.

It is with great pleasure that The Empire Club of Canada welcomes to the podium the Prime Minister of the Grand Duchy of Luxembourg—His Excellency Mr. Jean-Claude Juncker.

Jean-Claude Juncker

Ladies and gentlemen, I have been asked to entertain you with a presentation of current European political and economic issues as well as with the position of Luxembourg inside the European Union. And I have been asked to kindly limit my talk to 15 minutes! I intend to do so.

One cannot make a speech these days without referring to the terrible events that shook the United States and indeed the world on September 11. Although we all know that somehow we have to get back to "normal" life, nothing will be quite the same anymore. Many people—including myself—have been deeply shaken not only by the attack itself, but also by the fact that it seems that these criminals have been living among us for quite some time before being "activated."

Paradoxically, this nightmare now also has some positive effects. The scope of measures which the international community is embarking upon to fight the plague of terrorism is indeed unprecedented.

Before dwelling upon the measures that the European Union and Luxembourg have taken in the fight against terrorism, I would like to share with you three concerns.

First, we must avoid any equation of terrorism with the Arab and Muslim world. We call upon the Arab and Muslim world to join the international coalition to fight terrorism. The so-called "clash of civilisations" does not take place between Islam and western civilisation, but it takes place inside both civilisations, between those who recognise the values of tolerance and mutual respect and those who propagate hate and destruction.

Secondly, although the response by the United States is absolutely legitimate, European governments—and I know this is the position of the Canadian government too—want the counterattack to be targeted and embedded into a broad coalition under the auspices of the United Nations.

Thirdly, a thorough analysis of the causes and origins of the phenomenon of terrorism is urgently needed. Poverty certainly breeds terrorism and we all have to make efforts to increase public development aid. Luxembourg has already crossed the recommended threshold of 0.7 per cent of GDP and is moving towards its self-imposed target of 1 per cent of GDP by 2005. But the level of development of a country or region cannot be the sole cause of the emergence of terrorism. Maybe we should question the present world order and strive for a world architecture that is more balanced and more just.

Let me explain now what urgent measures have been taken in Europe. Again, in a difficult and delicate moment, when they have to confront a serious threat, Europeans rediscover the importance of being united and accelerate their integration! We have reaffirmed our commitment towards the creation of a genuine common foreign security and defence policy and deeper integration in the fields of Justice and Home Affairs. We are now working on a common definition of terrorism which will enable us to create a common European arrest warrant: wanted persons can thus be handed over directly from one judicial authority to another.

Furthermore, we will draw up joint lists of terrorist organisations and strengthen co-operation and exchange of information between our secret services. Joint investigation teams will be set up and the European agency for police co-operation "Europol" will form a specialist anti-terrorist team. Co-operation with the U.S., Canada and others will be close of course. It also goes without saying that these investigations have to be carried out in the full respect of fundamental freedoms. We must not change the fundamental nature of our societies.

All international conventions on the fight against terrorism have to be implemented as soon as possible. I wholeheartedly support the idea of elaborating a new UN convention which would embody all legal instruments and measures taken within the last years in order to fight terrorism.

Apart from taking more measures to strengthen air-transport security, the sources of financing of terrorist organisations have to be dried up. Luxembourg has signed the UN convention for the suppression of the financing of terrorism. I acknowledge that we are not the first to sign, but we are not the last to sign either. We will have ratified the convention by the end of the year.

Tax havens and off-shore centres are under close scrutiny now. As so often, my country is mistakenly presented on the part of the press as such a haven; and some articles have claimed without evidence that bin Laden and his organisation hold accounts in Luxembourg. Well, Luxembourg is not a tax haven; nor is it an off-shore centre and even less so a haven for criminals! It is true that we still have banking secrecy, but this secrecy is lifted for criminal offences. Obligation to secrecy does not apply in court cases and before judges. Following the events of September 11, all financial institutions have undertaken to screen their clients' accounts again.

Luxembourg's legislation provides for very strict regulations governing access to the financial sector, in particular with regard to the identity and worthiness of shareholders and managers. Banks have to know who their customers are. Identification requirement applies to all transactions that exceed about C$17,800; from January 1 onwards, this threshold will be lowered by 20 per cent. We have some of the tightest laws in the fight against money laundering, not only with regard to drug trafficking but with regard to a wide spectrum of criminal activities such as procuring and illegal arms deals. By law, financial institutions must report to Luxembourg authorities if they have the suspicion and even more so if they have the certainty that money stems from criminal sources. They are not allowed to carry out the financial operation requested by their client.

During the debate on the European directive on money-laundering, Luxembourg insisted that lawyers should be put on the list of those professionals who have to report to authorities. Indeed, if a banker has to report despite banking secrecy, why should lawyers be treated differently?

But it would be naive to think that a tougher fight against money-laundering will be enough. Indeed, terrorists and their organisations also hold what I would call normal accounts. So, exchange of information is a must. In the framework of the EU, Luxembourg has proposed to strengthen co-operation between financial intelligence units, which are those entities that already exchange information in the context of investigations against money-laundering. We could thus act pre-emptively against terrorism.

What about the economic consequences of the events of September 11? Increased uncertainty is never good for economic prospects! The immediate impact on the U.S. is substantial and growth rates will probably be negative in the third and fourth quarter of this year. In Europe, at least in the euro area, recession will be avoided as fundamentals are sound and as tax cuts and falling inflation are likely to stimulate consumption. Vigilance is needed however and the European Central Bank will have to work closely with the U.S. Federal Reserve Bank, the Canadian Central Bank and others. Some sectors are severely touched, especially airline companies and the tourist industry. Insurance companies have just decided not to suffer and declared that they will cease to compensate for damages following acts of war and terrorism. Quite scandalous, I must say. The Luxembourg government as others have decided to provide liability cover to airline companies facing insurance problems. The details of this scheme are currently worked out at the EU level.

In the aftermath of the shock of September 11, we have witnessed how important the achievement of the Economic and Monetary Union (EMU) is. In the absence of the common currency, national currencies would have fallen into complete disarray and some countries would have seen no alternative to devaluation. The euro is a true shield against external turbulence. Already during the recent rise in oil prices as well as in the run-up to EMU, during the Asian crisis notably, we have witnessed this positive shelter effect.

If EMU is such a success, why is the euro weak in comparison to the dollar, you might ask! To be honest: I do not know! In fact, it does not make sense at all. Economic fundamentals are much better in Europe than they are in the U.S. Indeed, there is a strong internal demand in Europe, a highly skilled work force, budgetary discipline, close coordination of economic policies, an independent Central Bank as well as a wide range of structural policies aimed at strengthening the internal market and at modernising European economies.

The only explanation I can find is to say that the dollar is benefiting from an unbreakable trust. Americans have a blind belief in their money and are always optimistic that things will get better when they are not good. Europeans on the other hand cannot celebrate when they have achieved something and they nurture this inferiority complex. "It just can't be that the euro is as good as the dollar." On top of this, we still have 12 finance ministers giving all kinds of mutually contradictory statements about the development of the common currency. And if all of us say the same thing, that is that the euro has a high potential to appreciate, we definitely do not sound convincing enough.

Apart from its shelter function against monetary shocks, the euro has many other implications. In my view, the creation of the single currency has been the culmination of the process of European integration that started 50 years ago. The scope of what some European countries have achieved is not yet fully understood, even though citizens will hold euro notes and coins in their hands from January 1.

We in the EU hope that the euro will become the strongest currency in the world next to the U.S. dollar and a global reserve currency. Europeans are very well aware of the fact that advantages go together with responsibilities and obligations. The euro should help create a more balanced international monetary environment with a shared leadership and thus a shared burden.

The euro contributes to the emergence of a truly European identity. EMU should allow Europe to realise its ambition to become an influential and responsible actor on the world stage. The impact of the euro on the world economy will grow larger with each additional country joining the common endeavour. By size and economic weight the current euro zone is comparable to the U.S. It has nearly 300 million inhabitants and accounts for almost 20 per cent of world GDP and 20 per cent of world trade. In due course, the current three "outs" will join. In Sweden, Denmark and the U.K., it is a mere political question. Central and Eastern European countries will follow at a later stage.

EMU is a spur to greater internal dynamism and integration. In the past EMU has nurtured among EU-member states a culture of stability which has never existed before. "Economic Convergence" was the magic concept that made countries fit for EMU. This effort has to be sustained and countries must not yield now to a sort of "convergence fatigue" and relax discipline on economic policies. This is why we have created "peer pressure" among ourselves.

Each year, at union level, broad economic policy guidelines are agreed for the EU as such and for each country taken individually. National governments have to make sure that their national economic policies and decisions are consistent with these guidelines and that they respect the premises of the Stability and Growth Pact which prohibits excessive public deficits and aims at a balanced budget over the medium term. We jointly assess the economic situation, the prospects and devise the policy mix by which to respond. In practice, this is very difficult, believe me!

In my view, it is absolutely necessary for the Euro zone to strengthen the management of its common currency by creating a sort of economic government of Europe. It makes no sense that monetary policy is centralised whereas the conduct of economic policy is only co-ordinated between finance ministers.

Let me finish by a few words on enlargement. This is yet another big project on which the European Union has embarked upon. For me, it is a question of war or peace. Indeed, is there any bigger and nobler ambition than to reconcile and reunify Europe? It is the first time that European unification is attempted by peaceful means, not by force.

Of course, candidates have to make themselves fit for accession and that process is very painful for them. They have to take over all our rules and regulations, what we call in EU-speak the “acquis communautaire.”

The enlargement process was launched at the European Council in Luxembourg in December 1997. By now we are negotiating with 12 candidates and the point of no return has been reached. Turkey is the thirteenth candidate but negotiations have not yet started. To give you an idea about the scope of the adventure: The EU will increase its geographical size by 34 per cent, respectively 58 per cent if we add Turkey; population will increase by 28 per cent, respectively 45 per cent. But GDP will increase by a mere 4.5 per cent, respectively 6.6 per cent if Turkey is included. GDP per capita varies from 23 to 68 per cent of the union's average. You need not be an economist to understand the difficulty of the exercise.

Enlargement has to be sustainable: countries which become members have to be properly prepared; otherwise we risk implosion of the EU. But, if we stick to the right method, this risk is quite small. Now, what is the right method? Negotiations are conducted on the basis of the following principles: the union is negotiating bilaterally with each individual country; each country is judged according to its own merits; it has to comply with the so-called Copenhagen criteria which are political and economic in nature.

When will this enlargement take place, you may ask. I am in favour of speedy negotiations, but I am not in favour of galloping through enlargement. By the end of 2002, negotiations with the furthest advanced candidates will probably be completed. At a recent summit meeting in Sweden, leaders of the EU expressed the hope that the first new members will be able to take part in the elections for the European Parliament in June 2004. Ten countries so far have pledged themselves to be ready for that time-frame. We shall see.

Now you have to be aware that the enlargement process is not very popular with the current member states. EU governments have a huge responsibility here, as some individuals do not hesitate to make politics with people's anxieties. I refer here of course to xenophobic political parties and movements.

Apart from a minimum of political support, we have to pay attention to the social cost and to the financial burden we ask candidates to bear. In some sectors, such as environment and agriculture, transition periods will probably have to be rather long.

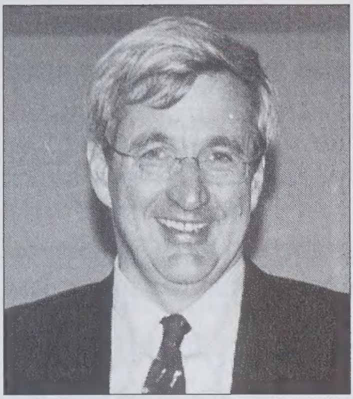
We all know that apart from the current candidates, there are many more countries which are interested in joining the European Union. I am talking about the Balkan countries and countries such as Ukraine, Moldova, the

South-Caucasus. They are already knocking on the EU's door. Where do the boundaries of the European Union stop? That is going to be a separate debate.

So, ladies and gentlemen, I am keen on your comments and questions!

The appreciation of the meeting was expressed by The Hon. Maria Minna, MP, Minister of International Co-operation for the Government of Canada Inc.

Bill Laidlaw, President, The Empire Club of Canada and CEO, St. John Council for Ontario, His Excellency Jean-Claude Juncker, Prime Minister of the Grand Duchy of Luxembourg and The Honourable Maria Minna, MP, Minister of International Cooperation for the Government of Canada.



October 4, 2001

David MacKinnon

President and Chief Executive Officer, Ontario Hospital Association

SUPPORTING OUR EVERY-DAY HEROES: CURING ONTARIO'S HOSPITAL SYSTEM

Chairman: **Bill Laidlaw**
President, The Empire Club of Canada

Head Table Guests

Bart J. Mindszenthy, APR, FCPRS, Partner, Mindszenthy & Roberts Communications Counsel and Director, The Empire Club of Canada; Reverend Karen-Anne Fox, Chaplain, William Osler Health Centre, Brampton Memorial Campus; Felipe Allendes, Honour Student, Humberside Collegiate Institute; Alan Pearson, Alan Pearson and Association; Professor James D. Fleck, OC, Chairman, Fleck Management Services; Betsy MacKinnon, Teacher/Librarian, Jackman Public School; Catherine S. Swift, President, CEO and Chairman of the Board, Canadian Association of Independent Business and Director, The Empire Club of Canada; Peter Barnes, President, Burak Barnes International; Dr. Ken Sky, President, Ontario Medical Association; and Rino Stradiotto, Partner, Borden Ladner Gervais LLP.

Introduction by Bill Laidlaw

I do not believe anyone in the audience does not have an opinion concerning health care in Ontario.

We all have an opinion, whether it be positive, negative or indifferent. I personally have some very positive experiences and some not so positive ones.

I do know from sitting on the Board of the Queensway General Hospital that hospitals have gone through major changes in the last decade and I suspect more change will come.

For many Ontarians the hospital is still the centre of health care in their minds. Hospitals for some are where you go when you are ill, whereas for others they are places where you become well.

Today we are fortunate to have as our guest David MacKinnon.

David is the President and Chief Executive Officer of the Ontario Hospital Association, a position he has held since 1996.

The Ontario Hospital Association (OHA) is a voluntary association representing the hospitals in Ontario. Among its members are all of the public hospitals in Ontario as well as the province's psychiatric hospitals. Many other health-related organisations are among OHA's associate and affiliate members.

The organisation was founded in 1924 as an independent, non-profit organisation and is governed by a 26-member board of directors made up of hospital trustees and chief executive officers from across the province.

Prior to joining OHA, David served as President of Ortech Corporation and he is the past CEO of the Ontario Development Corporation.

He has also worked for the Ontario and Nova Scotia governments as well as the federal department of industry, trade and commerce.

David received an Honours BA in Economics from Dalhousie University and was awarded a centennial fellowship by the Canadian Imperial Bank of Commerce and York University for study at Harvard, Oxford and York Universities as well as the European Institute of Business Administration.

Today David will speak about the subject of "modernising medicare" and the future of medicare in Canada specifically, new advances and ideas to keep our medicare system affordable and sustainable.

David MacKinnon

Good afternoon, and thank you for that kind introduction.

In the aftermath of the horrific events of September 11, I'm struck by who the real heroes were.

They were the individuals who confronted the terrorists on the flight that crashed in Pennsylvania. They were the firefighters, and the police officers, and the emergency medical personnel who rushed to ground zero to help out. And they were the hospital workers. If you followed the story, you know that New York hospitals went on full alert. Off-duty doctors and nurses rushed to their posts. The hospitals were ready.

Our own hospitals too were ready to receive the injured, and the Ministry of Health line was jammed by calls from our own doctors and nurses who wanted to help.

All this shows that public institutions—police and fire departments and hospitals—are the first line of defence against every-day challenges and disasters. We should keep these institutions strong.

But the hospital system, which is so important to all of us, is itself unwell. Consequently, my message to you today: we must cure the hospitals so they can cure us.

Before I tell you what's wrong with hospitals, let me tell you what's right. The hospitals in this province have great strengths. To begin with:

- They deliver the same or better results as other provinces, but with far fewer beds;
- They receive high marks from patients for the way patients are discharged from hospital to home care or long-term care; and
- They increasingly are communicating electronically with physicians outside the hospital.

Ontario hospitals also are leaders in accountability. We believe you can manage only what you can measure. In 1998 and 1999 our hospital system became the first in Canada to produce hospital report cards. We've now completed the largest patient satisfaction survey in North America.

The results from our acute care survey are exceptionally positive. Nine out of 10 patients rated the care they received as good or excellent, while fewer than 1 in 20 felt it was poor.

Not all institutions rank equally high, but the larger picture is clear. If you're staying in an acute care facility in Ontario, you'll receive good treatment from highly skilled and dedicated physicians and nurses.

These impressive results are the public face of the Ontario hospital system. But, behind the scenes, our hospitals face grave challenges. It's no exaggeration to say the system is unwell. We must cure the hospitals so they can cure us.

Let's look at the problems.

A serious problem is the one of recurring financial crises caused in part by the way the province funds hospitals.

Let me tell you the story of how hospitals get their money. Every year, the budgeting cycle for each hospital starts with instructions from the government that the hospitals must absorb the cost of population growth and aging.

It's as if the government washes its hands of any responsibility for serving a growing and aging population.

Now, Ontario grows every year by the size of the entire population of Prince Edward Island.

So you can imagine how serious a challenge it is to absorb the costs of providing additional hospital service to 150,000 people.

As the budget year goes by we have to muster two or three lobbying campaigns to gain the funding needed to serve the growing and aging population.

There are many very sad consequences of this process:

- Public anxiety is stoked;
- Hospital boards and CEOs must devote too much of their time to lobbying efforts;

- Other serious issues are crowded off the public agenda; and
- Serious erosion of skills and morale takes place.

But the saddest part of this saga is that it is entirely unnecessary.

Hospital costs are among the most predictable in the public sector. There are many ways our society can deal with growing expenditures. But the annual budget ritual of denying their reality isn't one of them.

In addition to recurring funding crises, Ontario hospitals have all faced the problem of reducing services to the public.

Despite increased efficiencies, budget pressures are leading hospitals to cut back on the services they offer their communities.

Hospital beds are an example. The number of acute care beds in Ontario hospitals has dramatically dropped in the last decade from approximately 50,000 to 30,000. That decline came in the face of a growing and aging population. Although greater efficiencies have lessened the need for some of these beds, we have far too few beds today. It's become increasingly difficult to find a bed for a sick person in this province.

Earlier this year, the occupancy rate for acute care beds in central Ontario was 97 per cent. According to international studies, that's far too high. That leaves us with too little room to handle major emergencies.

The same cutbacks are evident among nurses. Relative to our population, we have 6 per cent fewer nurses than the rest of the country. That is a very serious shortfall.

Cutbacks are evident, too, in the "waiting game" that takes place in hospitals. Research studies show that patients are waiting longer for specialised treatment including cancer care.

What's more, at a time when hospitals are straining to provide care, the demands on the hospital system are steadily increasing year by year. Population grows 1.2 per cent a year. An aging population increases demand by a further half a per cent each year. Inflationary pressures add another 2 to 4 per cent a year to these costs.

Add those numbers together and hospitals require an increase of 6 per cent annually just to maintain the current levels of service. This figure is comparable to experience in the United States and the United Kingdom.

Yet Ontario hospitals are operating with much less money today than in the early 1990s. Real per-capita funding has fallen 18 per cent since 1992. Also, operating funds have dropped from 2.4 per cent to 2 per cent of GPP since 1995.

So, the budgeting process and the levels of funding are the ills hospitals face. And they need to be cured.

What medicine are we recommending?

There are four "prescriptions" that must be taken to cure the hospital system.

The first prescription is to change the way we fund our hospitals.

We must get rid of our present infinitely corrosive system of funding. We must excise it. We must remove it from the landscape of our democracy because it works to veil problems rather than illuminate them.

We must eliminate it because it wears down the people managing hospitals. And, finally, we must discard it because it has the same wearing effect on political leaders.

We should replace it with a process of funding geared to community needs, clinical goals, consumer satisfaction and international benchmarks.

We also need to have adequate three-year funding plans instead of learning of the one-year funding allocation half way through the current fiscal year as is presently the case in this province. Long-term funding will provide hospitals with a secure planning framework. They will be able to plan for improvements in patient care. Three-year plans will also facilitate long-term agreements with unions and employee associations.

Funding plans also must involve better co-ordination between capital and operating budgets. Right now the capital budget might provide for a new building or hospital wing. But the operating budget may not provide funds to staff that structure. Such uncertainty has to end.

Our second prescription for hospitals is greater federal support.

Federal spending for health care has remained constant since the early 1990s, while provincial health-care spending has gone up 28 per cent. Federal transfers for health must keep pace with real health needs.

A fiscal imbalance exists between the federal government and the provinces—and Ontario in particular.

Since 1992–93, federal revenues grew by 47 per cent, but spending increased by only 6 per cent. According to one recent study, this imbalance is expected to continue for the future.

What does a fiscal imbalance mean to the people living in Ontario? It means that spending on key public services in Ontario is significantly below the national average.

For example, per-capita spending on hospitals in Ontario in 2000/01 is 6.1 per cent below the national average. For universities and community colleges it is 19.9 per cent. It's not just a question of spending. It is also a matter of capacity. All Canadians should be very concerned about the capacity limits on Ontario's hospital system because Ontario also treats patients from other provinces.

To use another example, the number of acute care beds per capita in Ontario is 75 per cent of the national average and in large urban centres, particularly Toronto, the hospital system is particularly stressed with occupancy rates well above what is considered reasonable by international standards.

This problem urgently needs attention by the federal government. It is not in the national interest that core public services in the province which is the major funder of the transfer system should be underfunded relative to the rest of the country.

Funding issues of the type I've mentioned are important. But they remain only one component of any complete solution for the ills that trouble the Ontario hospital system.

My third prescription for curing our hospitals is to think outside the box.

I'm encouraged by the recent statements of Roy Romanow, Senator Kirby, Premier Harris, and Minister Clement, that the only option off the table is the status quo. Surely we can build a broader consensus from there.

When I say we should "think out of the box" I mean that quite literally. Some think of hospitals as "big boxes." All things to all people.

We should move toward more differentiation in the types of hospital facilities we build. Every community needs access to emergency services that can treat heart attacks and serious injuries. But hospitals don't need to be scaled up or scaled down versions of the same model in every community. Perhaps, for example, we need hospitals that focus on particular illnesses and by doing so can produce better outcomes at lower costs.

My fourth prescription for the health of hospitals is for us to focus on prevention. The goal of any medical system should be to put itself out of business. That won't happen of course, but we should try.

Lifestyle changes would save our health-care system hundreds of millions of dollars each year. Imagine the decline in health spending if everyone gave up smoking, had a better diet, and got regular exercise.

Scientists believe, for example, that lifestyle and type-2 diabetes are closely linked. And a person with diabetes incurs medical costs that are two to five times higher than a person without diabetes.

Smoking, too, is burdening our health-care system.

Smoking not only kills, but it affects non-smokers who are exposed to second-hand smoke. It increases their chances of developing lung cancer by 25 per cent, and heart disease by 10 per cent. And all that puts pressure on our hospitals and the entire health-care system.

We must eliminate these unnecessary stresses.

We must, as individuals, do more to make ourselves healthy so we can make our hospitals healthy.

Hospitals and health-care organisations must act as health-promotion centres, educating people in all aspects of health and wellness.

And let's not forget the Internet.

The Internet is now an integral part of many people's lives. The health system must become more responsive and give them the information they're looking for on the Net.

We must help people distinguish what's useful from what's bogus.

Health classes in primary and high schools should teach students about prevention, how to make healthy life-style choices and how to make the best use of the Internet for finding health information.

In the end we're all responsible for our own health.

Funding is important, but it must be part of a broader plan to address our health-care needs.

The Ontario Hospital Association is focussing its efforts towards health promotion and wellness. "Life the greatest show on earth" is the theme of our Life and Health consumer show to be held in Toronto next November.

My message to you who fund hospitals, who use hospitals, and who expect hospitals to be there for you, is this: we must cure our hospitals so they can cure us.

As we have learned in recent days, public institutions are at the heart of what a community is. Put the hospitals at risk and we put our communities and our citizens at risk. There's a lot at stake.

We need each of you to help, whether you're a business person, a public servant, a concerned citizen, or health-care provider. We need each of you to influence public debate so the vast, wonderful network of hospitals we have can provide the secure treatment we've all come to expect.

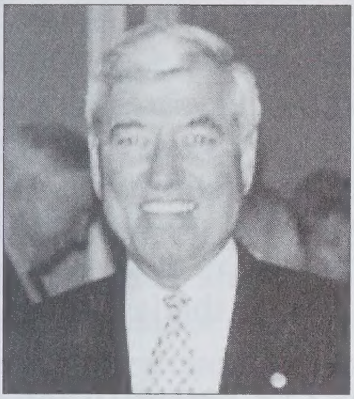
Canada is a special country.

If we have an advantage over other countries, it's in the well-being we, as a nation, have come to expect. We consistently score high in "quality of life." A place to raise families. A safe environment. Our institutions have been safe havens.

Today more than ever we must look to our institutions as the key elements which define our sense of community.

Let's care for them, so they can care for us.

The appreciation of the meeting was expressed by Bart J. Mindszenthy, APR, FCPRS, Partner, Mindszenthy & Roberts Communications Counsel and Director, The Empire Club of Canada.



October 11, 2001

Richard H. Brown

Chairman and Chief Executive Officer, EDS

AFTER SEPTEMBER 11, TRUST IN EACH OTHER AND HOPE FOR TOMORROW

Chairman: **Bill Laidlaw**
President, The Empire Club of Canada

Head Table Guests

C. Alexander Squires, Managing Partner, Brant Securities limited and Secretary, The Empire Club of Canada; The Reverend Vic Reigel, Christ Church, Brampton; Neil Woody, "Honour Roll" Student, Humberside Collegiate Institute; Robert Chisholm, Vice-Chairman, Domestic Banking, Scotiabank; Gaylen A. Duncan, President and CEO, ITAC (Information Technology Association of Canada); Sheryl Kennedy, Deputy Governor, Bank of Canada; The Hon. Bob Runciman, MPP, Minister of Economic Development and Trade for the Province of Ontario; Ann Curran, Director, Corporate Development International and 1st Vice-President, The Empire Club of Canada; Terry Lord, Senior Vice-President, Adecco Employment Services; John Hunkin, Chairman and CEO, CIBC; and Michael Murphy, Senior Vice-President, Policy, The Canadian Chamber of Commerce.

Richard Brown

Good afternoon—it's wonderful to be back in Canada!

I was in Ottawa this May at the invitation of Andre Ouellet, President and CEO of Canada Post, to discuss the transformation EDS has undergone during the last three years.

It was one of several sessions I've had with our Canadian operations and clients, several of whom—Bank of Canada, CIBC and Canada Post—I understand are in attendance today.

We have 6,500 talented professionals in Canada working on these and hundreds of accounts from coast to coast. Half of our accounts are corporate; half are government. All total, we have a $1.6 billion business in Canada and I'd like to help it grow.

However, my pleasure in returning to Canada this afternoon is tempered by its timing; by the memory of the attack that changed all our lives one month ago today.

As you might expect, given the importance of this audience, I have been thinking about what I might say to you for some time. After the events of September 11—and the subsequent military response—what I had planned to say no longer seemed right.

In my view, the atrocities committed last month were not so much an attack on a certain people or place, as they were an attack on the fundamental trust that holds civilisation together. The terrorists desperately want us to stop trusting ourselves and our institutions. We cannot let this happen.

You know, with 128,000 employees around the world, and operations on every continent, EDS has a unique line of sight through our global community. We work in all sectors. EDS connects business to business, but we also connect business to government, governments to their citizens and governments to each other. We see the importance of trust. We know it is the basis for nation-to-nation relationships, for international commerce and for civilised society.

In good times, we help clients connect with their customers or citizens, accelerate their growth and help them gain market share. In difficult times, we help take out costs, enhance effectiveness and improve productivity. As economic conditions worsened throughout this year, EDS was there, helping our clients to meet the economic challenges and to work more efficiently and effectively.

When the events of September 11 occurred, we proved our support and our worth in a wholly different way. We were the company that helped other companies get up and running. We helped our clients keep their customers' trust. For example, our American Express team helped that client, formerly housed in the World Trade Center, set up operations across the river in New Jersey. By late on the day of the attack, American Express was able to process about 19,000 transfers for a total of $14.3 billion—roughly 70 per cent of the transactions its customers had entered! AmEx customers could believe in their bank. You see, data has no nationality; data has no country of residence. Because AmEx data was dispersed and protected in a remote EDS location, we were able to put them back in business immediately.

EDS protects our clients' data and we hold their core intellectual capital and digital assets in safekeeping. So if their physical infrastructures are attacked, even knocked down, their core information assets remain sound and whole. With their information safe, we reconnect them to their technology backbones, restore their digital operations and then they make it possible for their customers to get medical prescriptions, access money and continue to travel—all the things terrorists seek to take away. It's what EDS does. We keep systems running. We build trust.

The trust we have earned from clients has opened doors to collaborative partnerships and a perspective shared by few. Consider this: We are a company honoured to have Ehud Barak, the former Prime Minister of Israel, as a consultant. I've come to Toronto today directly from the Middle East, where I discussed e-government initiatives in Dubai and Bahrain. Clearly, EDS is an active citizen of the global village—a village attacked by outlaws last month.

Make no mistake, September 11 was not just an attack on the United States, nor the struggle of poor versus rich, nor a clash of religious beliefs. September 11 was an attack on the construct of the nation state and the global civilisation we have built upon it. September 11 was about those who would gladly plunge the world into chaos and anarchy to suit their needs giving them the freedom to act with the impunity enjoyed by the bandits of Europe during the darkest days of the Middle Ages. September 11 was an assault on our people—yours and mine—and on the solvency of our economic structure and on the stability, the freedom and the protection the global community of trading nations provides.

And you can believe this with certainty. Those who perpetrated these acts will seek to strike again. They are scrutinising our collective response for potential weakness. I say collective because as individuals, nations and businesses we are bound together by a vast web of treaties, laws and rules of engagement. Though sometimes complex and inefficient, these rules have prevented us from devolving and dropping into chaos. They support our global civilisation. The health of local economies and the global economy go hand in hand. They don't stand separately. The global economy cannot survive on its own, in and of itself. It has to have a structure, a framework, rules of law, so you can make a contract and be held to it; so you can move your goods from place to place with security. If that concept is attacked and wounded too deeply, it will not stand.

You have already seen and felt the economic impact of a single, deep wound upon an already ailing global economy. Already slumping American markets took a beating with once stalwart companies running for cover, increased layoffs and unemployment, a severely injured stock market and a lack of consumer confidence in general. Canada, too, was affected, with airline layoffs and a slackening in consumer confidence. When asked about the Canadian economy following the attacks, 62 per cent of Canadians surveyed expected it to "slow down" during the next year. (Ipsos-Reid, Sept. 21, 2001)

Perhaps the biggest casualty in all of this is trust—the trust of the people. Trust in their country's security. Trust in their economy. Trust in their personal safety. We must rally immediately behind the new offensive on terrorism to restore confidence and trust. Otherwise, fear will rule the day and all orderly rules of engagement and all stability will crumble before our eyes like the twin towers of the World Trade Center. And countries like ours will no longer stand strong and secure.

Security has always been important to both our nations. It's what we founded our company on—an entire industry on—nearly 40 years ago. It's how we gained the trust of clients and our leadership position in data management around the world. But in the wake of the events of September 11, a seismic shift has taken place in the way people feel about security. In fact, recent polls have signalled a willingness among Americans to trade some conveniences for security. As of mid-September, 55 per cent believed it would be necessary to give up some civil liberties in order to curb terrorism, compared to only 29 per cent who felt that way in 1997. According to a September poll, Canadians feel the same threat. Fifty-five per cent of respondents believe there are international terrorists within Canada just waiting to attack Canadian civilians. And only 39 per cent are confident the Government of Canada and its security services are capable of preventing these attacks.

Citizens around the world expect their governments to assure public safety and national defence. Leaders ranging from city managers to ministers of state are reassessing their roles in prevention, mitigation and response. The private and public sectors must come together to create answers. Everyone in this room has a responsibility to get directly involved, whether you're in government, the financial industry, the high-tech industry, the health care or transportation industries. We can't, as individual nations, look to other nations to shoulder the burden. And we can't, as individual businesses, expect other businesses to solve these issues. We have to work in concert.

We at EDS are ready. We're serious about putting our technological expertise and our commitment behind this fight. I believe there will be many opportunities to apply the best practices of our respective industries to many of the issues at hand. From a business standpoint, the attack emphasised the need to digitise processes. By this, I mean electronically capturing and storing records and data in secure, remote locations, creating redundant systems and having business continuity plans in place. In fact, EDS has a solution in place today that can provide a quantum leap in airport security. It is a system operating at Ben Gurion Airport—the most secure in the world—that employs biometrics to ensure people cannot enter the country with false identification. This system, not only enhances security but it enhances efficiency as passengers can receive security clearance within 20 seconds. Expanding on this capability, a data file could be created that accompanies passengers—and their bags—to their final destinations. Government and airline databases can be linked for fail-safe security clearance. The result? A point-to-point security solution for the airline industry, in which you as a passenger know the people on either side of you are indeed who they claim to be and are safe travel companions.

The point is, while we're stepping up security, the movement of people and goods must not be brought to a grinding halt. I know this has been a topic of great discussion here in Canada—how to ensure the security of our mutual border and maintain the flow of goods. Applying our logistics expertise, we could ease the increased congestion at the U.S./Canadian border enabling both people and the shipments of goods to pass through in a timely manner. In logistics, we provide information about a shipment—what it is, where it is and what route it will take. All backed up by information systems and databases that process data in real time with no possibility of downtime or security breaches. The technology and databases to provide these solutions are in place today. EDS has the ability today to implement them and has a track record of doing so securely. What is required is government commitment to move forward, considerable but not outrageous funding and agreement on just how far to go.

In the United States we have been forced to rethink how the Constitution applies to today's technologies. Congress was asked to consider a number of proposals to combat terrorism. I can assure you they were not taken lightly. Our system obliges Congress to take a reasoned and balanced approach to ensure our constitutional rights are preserved while making sure our laws reflect today's realities.

The opportunities to address these realities with technology are many: We must find better, more secure ways for sharing information across both local and international boundaries, among the law enforcement and financial communities and those engaged in border access control. We may have to find more secure and private ways for private entities to gain access to government databases to identify potential terrorists using financial or transportation systems. Additional resources will most likely be needed for modernising communications systems and assuring better connectivity across local, state, national and international jurisdictions. And, we will need to think seriously about secure wireless communications.

Together, we must bring forth the best solutions to address our most urgent needs. We must move from a purely tactical approach to a strategic focus on global system survivability. Again, collaboration of this sort will require trust. We expect business as well as local, regional and national governments around the world will increasingly turn to information technology and to digitisation to create more efficient, more secure processes to respond to these new challenges. EDS is one of very few companies able to create these processes and we do it while generating significant savings because of our existing scale, capabilities, infrastructure, and experience. We are the IT solutions leader delivering improved performance, enhanced security and billions of dollars in savings to our clients each year. With outsourcing services alone, EDS can typically manage IT systems and infrastructures for 20 per cent to 30 per cent less money than clients can on their own—on day one! From the boardroom to the back room, whether it involves e-business, human resources, payroll, or finance and accounting, we offer end-to-end solutions to ensure our clients meet their business challenges no matter how the market changes.

As leaders turn to digitisation, I believe they have little choice but to implement large-scale IT hardening and operations-continuity processes on an unprecedented scale. They must:

- Decentralise globally: Companies can no longer pool their most critical people and technologies in a limited number of locations. Decentralisation on a global basis, using IT outsourcing if necessary, significantly reduces the likelihood of irreparable loss.

- Build continuous parallel operations: Enterprises that haven't already done so must build redundant, physically separate systems so one system can seamlessly take over if another goes down.
- Create emergency communications infrastructures: Mission-critical systems can be stabilised rapidly when alternative disaster communications networks are in place.
- Protect people: Information technologies depend on the people who design, programme, implement, maintain, and upgrade them. Those professionals must be protected by detailed evacuation plans, equipment, and training.

In our rush to reinforce the security of our physical assets, we must not lose sight of protecting our information assets from cyber attacks. At low risk, a terrorist organisation can target and attempt to disrupt the information and networks that support crucial day-to-day workings of civilian, commercial and military systems, including air traffic control, power grids, stock markets, international financial transactions and logistics controls.

In all of our efforts to protect ourselves, our security and our economies, we must be sensitive to the issue of privacy. To be sure, privacy is a delicate issue, but it must now be dealt with decisively. Too little regard for privacy will turn individuals against governments and companies—exactly what terrorists of all types desire. This, in turn, will generate a massive loss of trust, that sacred bond important for any relationship. On the other hand, too much scrutiny can choke the flow of information, affect security and impede commerce. The ideal is for companies and governments to have the information they need to serve you better, but without prying unnecessarily into your lives. Private enterprise, too, needs guarantees of confidentiality so that it can report cyber attacks on its information assets, for example, without fear of liability or being hung out to dry by the media.

EDS, for its part, will ensure privacy according to its clients' needs. There is a lot EDS can do to enhance security for the many without violating the privacy expectations of the individual. And really, this is where discussion must begin, with expectations. While we all value privacy, different cultures view privacy through different lenses. Americans, for example, take a pragmatic view of privacy depending on the context. In the U.S., medical records, financial information, and children's online information must all be assured high levels of privacy, while many other consumer transactions are less regulated. How we reconcile these variances between nations will be key to solving international security issues.

I think it's safe to say everyone wants to know at the very least what information is being collected and what will be done with it. They want to know that it will only be used to protect or serve them better. We need a new privacy covenant between government, business and citizens. Governments are currently collaborating with each other to better share information. Industry leaders should collaborate, too. And this will be a focus of discussion at the Business Roundtable in Washington next month. At the core of this whole discussion on finding the right balance between privacy and security is trust.

Without trust, collaboration is not possible. Trust is the essential element that will bind us together and enable us to move forward as a single, united front. It is a bond that once destroyed weakens our resolve and is not easily restored. Everything we do must rebuild and underscore trust.

Trust that we can make airline travel safer and more secure, without reducing civil liberties or expectations of privacy.

Trust that we can go forward enabling electronic commerce with no risk that personal data will be misused.

Trust that we can empower law enforcement to better track and arrest criminals without fear that civil liberties will be constrained.

Trust that agreements among nations will empower, not inhibit their citizens.

There's no doubt we've entered into a new milieu—a new era—and as a result a new and uncertain economy. Terrorists would like us to believe it's about rich and poor. It's about East and West. It's about the primacy of a religion's teachings. But it isn't about rich and poor. It isn't about East and West. It isn't about one religion versus another. It's about stability, freedom and protection for everyone. It's about trust.

These times call for a "new collaboration"—a show of unity. Unity between public and private sectors and between nations.

These times call for a renewed trust and a renewed confidence in our ability to win the fight against terrorism.

Finally, these times call for a personal response from every leader in this room, a response that erases all doubt in the minds of those who would strip us of the ideals, the way of life we hold so dearly—that we will overcome.

A line was drawn on September 11.

We must answer the hellion's call with trust in each other and hope for tomorrow.

The appreciation of the meeting was expressed by C. Alexander Squires, Managing Partner, Brant Securities limited and Secretary, The Empire Club of Canada.

October 18, 2001

Dr. Robin Jeffrey

Executive Chairman, British Energy plc and Chairman, Bruce Power Inc.

REPLACING NUCLEAR WITH NUCLEAR: A U.K. PERSPECTIVE

Chairman: **Bill Laidlaw**
President, The Empire Club of Canada

Head Table Guests

David Agnew, Executive Director, Governance Program, Digital 4sight and Director, The Empire Club of Canada; Grant Kerr, Associate Minister, St. Paul's United Church, Brampton; Candice Steciuk, Honour Student, Humberside Collegiate Institute; Floyd Laughren, Chair, Ontario Energy Board; Duncan Hawthorne, CEO, Bruce Power Inc.; The Honourable Jim Wilson, MPP, Minister of Energy, Science and Technology, Province of Ontario; Larry Stout, Business Anchor, CTV Newsnet and Honorary Director, The Empire Club of Canada; David Goulding, President and CEO, Independent Electricity Market Operator; Graham Brown, CEO, Ontario Power Generation; The Hon. Elizabeth Witmer, MPP, Minister of the Environment, Province of Ontario; and David McFadden, QC, Partner, Gowling Lafleur & Henderson LLP and Director, The Empire Club of Canada.

Introduction by Bill Laidlaw

The energy crisis in North America and the world is one that has been well known for many years.

Here in Ontario, Ontario Hydro has gone through a transformation turning into a completely different structure in order to better manage its systems and to better serve its customers.

Nuclear energy has been a front-page issue for some time and with the events of September 11 so vivid in our memories the threat of a terrorist attack on our nuclear sites here in Canada has a heightened sense of priority.

The nuclear energy industry remains one of the more fascinating forms of energy today. I still remember my visit in 1976 to the Bruce Nuclear facility and marvelled at the science that existed there. Imagine what the new sites look like today.

Today we are fortunate to have as our guest an expert in the industry, Robin Jeffrey. Robin is currently the Executive Chairman of British Energy plc, the largest electricity generator in the U.K. and Chairman of Bruce Power Inc.

After the U.K. privatised its nuclear power industry in the mid-1990s, British Energy emerged as one of the nation's largest electricity generators. It is the holding company for British Energy Generation, which produces about 20 per cent of the U.K.'s power in its eight plants throughout Scotland and England.

British Energy focuses on domestic wholesale power sales but is diversifying in response to deregulation. It is involved in a joint venture with Peco Energy that acquires and operates nuclear plants in the U.S.

British Energy also leases a nuclear facility in Canada and has formed ventures to build wind power facilities in Canada and the U.K.

Robin's career in the energy industry has spanned two decades. His academic achievements include a Bachelor of Science in Chemical Engineering and a Doctorate degree in Fluid Mechanics from Cambridge University. Robin is also a Fellow of the Royal Academy of Engineering.

It is my pleasure today, to introduce you to our guest speaker, Mr. Robin Jeffrey.

Robin Jeffrey

It is a real privilege to be invited to speak at The Empire Club of Canada today. In preparing for this, I visited your website and was quite humbled to see the names of past speakers, a veritable who's who of politics, business and academia. It is truly an honour to be on this platform.

As many of you know, I have only just returned to the U.K. after living in Ontario for almost four years, first in Toronto and then the last 12 months at Kincardine in Bruce County.

Indeed, all the Jeffrey family belongings arrived in Glasgow only a few days ago and last weekend was spent unpacking crates and boxes. As well as all of the wonderful things from the Casa Loma fundraisers and the "One of a Kind" Christmas events, there was the Jeffrey collection of Canadian art, the Morrisseaus, the Pichets and the two dozen or so Inuit and Iroquois statues, paintings and textile hangings.

Unpacking them brought back so many wonderful memories of what Canada and Ontario mean to me.

And then I thought of all the GST and PST I had paid over these four years. We shall both miss each other.

So, to today's topic. My focus will be energy policy with reference to the U.K. government's ongoing Energy Policy Review. However, my remarks will go much beyond that and will address four issues:

First, what are the respective roles of business and government in energy policy?

Secondly, what are the principles underlying good energy policy?

Thirdly, how does this relate to nuclear power and to CANDU?

And finally, some remarks about British Energy and Ontario.

Let me start by giving you an overview of who we are, both at home and abroad.

Today, British Energy is the world's largest, private-sector owner of nuclear reactors with businesses in three countries: the U.K., the U.S. and, of course, here in Canada. Three countries, three regulatory jurisdictions, four technologies: AGR, PWR, BWR and CANDU.

In 1996, we were the last generator in the U.K. to be privatised. That occurred some six years after the rest of the industry. Today, we are the U.K.'s largest generator producing over 20 per cent of the country's electricity from 15 nuclear reactors and four coal-fired plants.

Our first foray overseas was in the U.S. where, in 1997, we formed a joint venture with Exelon Energy Corporation to acquire nuclear power stations. To date, AmerGen, the company we created, has acquired three plants and the business is providing a steady contribution to our earnings.

Significantly, it was the first of these AmerGen transactions, Three Mile Island, that caused the Wall Street Journal to coin the phrase that others have since copied: "The Renaissance of Nuclear Power."

And it was also this transaction that won the Financial Times Global Energy Award for the "Boldest, Successful Business Development 1999." Good to be bold, better still to be successful.

However, our most significant overseas venture by far is here in Ontario when, earlier this year, we completed the Bruce transaction with Ontario Power Generation. This covers an over-life lease on the four operating reactors of Bruce B and the four, presently shut-down, reactors of Bruce A.

Today, Bruce B provides 16 per cent of the electricity needs of this province and that will rise to almost 25 per cent once we have restarted the two Bruce A units.

It is really quite striking that the transfer of nuclear power to the private sector was deemed to be too difficult by Mrs. Thatcher in 1989, yet it was the first move in the generation decontrol process here.

I think that speaks volumes for the vision of the Ontario provincial administration and also shows how far nuclear power has moved on as a business.

The new Ontario-based company we created, Bruce Power, has many unique features. This is a joint venture with a strong Canadian content. Our co-equity investment partners are Cameco Corporation, the world's largest uranium mining company, and also the two main unions on site—the Power Workers' Union and The Society of Energy Professionals.

We are committed to making Bruce Power a success and will continue to invest in its future. Over the initial 18-year lease period, the value to Ontario is estimated to be $3.2 billion. Furthermore, we have recently announced we will be committing some $350 million over the next two years to restart Units 3 and 4 of Bruce A.

Not only will this be a significant spend in Ontario, it will also reinforce the electricity system here and provide yet further electricity capacity free from greenhouse gas pollution, assisting Canada meet its Kyoto commitments.

Now back to the first of the questions I posed: "What are the respective roles of business and government in energy?"

Well for a start, government is accountable to the electorate for delivering social and economic policy and is also responsible for creating an environment in which wealth can be created.

Businesses, on the other hand, are accountable to their shareholders for providing reliable dividends and growth in share value. But leaving it there would be too simplistic. Businesses, too, have wider responsibilities to their employees and customers and to the community and society at large.

For example only one of British Energy's five company values, "profit through progress," directly addresses profit. The remainder, "Safety first; openness; respect and recognition; and professional and personal integrity," address much wider responsibilities.

Specifically addressing energy policy, I think the respective responsibilities and accountabilities are actually quite straightforward.

Government's role is to determine the short- and long-term goals for energy provision such as affordable energy, security of supply, and environmentally responsible and sustainable energy provision. Government creates the framework for delivering energy policy including energy taxation, incentives, market rules and regulations.

Business is then given the framework in which it can work and deliver energy policy while at the same time creating value for its shareholders.

All very well in theory, but what's it like in practice? Let me run through the main changes that have taken place in the U.K. over the last 10 years.

Coal, once the dominant source of electricity generation, has been reduced from its stranglehold of 70 per cent some 10 years ago down to around 30 per cent. The power base of the mining unions has been broken forever.

Gas, which was not used at all for electricity generation up to 1990, now provides nearly 40 per cent of the U.K.'s needs, all as the result of new, private-sector investment.

Nuclear has steadily increased its contribution largely through the enhanced performance of existing plants. Its share of some 20 per cent 10 years ago has now risen to 25 per cent. Furthermore, this focus on commercial success has also given rise to significant improvements in safety performance. You see, cutting corners in the full glare of shareholder scrutiny is just not acceptable. Safety and commercial success go hand in hand.

The environment has benefited greatly from this. Over these 10 years, the emission of carbon dioxide from electricity generation has been reduced by around 30 per cent. As a consequence, the U.K. is one of the few countries in the world that looks set to achieve its commitments to Kyoto. Nuclear power is playing a pivotal role in this.

The last 10 years has seen the introduction of competition and choice, significantly reduced electricity prices and greatly enhanced quality of service to end-customers.

Yes, we have had the market abuse stories too. But the great majority of customers have benefited and the papers have had a field day over the minute quantity of complaints.

Privatisation of British Energy and of all the other U.K. electricity companies has brought greater transparency, more accountability and has given the industry opportunities that were never available under government ownership.

And finally, the restructuring of the U.K. electricity industry has made it possible for North American companies to invest in the U.K. and vice versa.

All of that seems a roll call of success. So, why did the U.K. non-interventionist and business-friendly government decide it was necessary to carry out a review of energy policy? Well, the answer lies in some other figures I need to share with you.

On present trends, in about 20 years, all but one of the U.K.'s nuclear power plants will have reached the end of their working life and will have closed. Today's 25 per cent share from nuclear power will have become about 3 per cent by the year 2020.

And, for similar reasons, coal's contribution to the U.K. energy mix will have fallen from 30 per cent today down to some 6 per cent.

Gas will have become the dominant fuel, providing some 75 per cent of all of the U.K.'s electricity needs. Coal over-dependence will have been replaced by gas over-dependence and this could have huge implications for the U.K.

Whereas coal was largely an indigenous resource or available from stable countries, the same cannot be said for gas. As the U.K.'s North Sea reserves dwindle, there will be an increasing reliance on supplies of gas from overseas. These are not available in Europe, but will come via pipelines from Russia, the Middle East and Northern Africa.

These regions are potentially unstable with the pipelines easy targets for terrorists. With over 80 per cent of the U.K.'s gas coming from these regions, there must be huge questions on the future security of electricity supply.

So, the energy policy question the U.K. government has asked is remarkably visionary, "How will the energy needs of the country be sourced in 2050?" Yes, 2050! And what are the issues that need to be addressed regarding care of the environment, security and diversity of supply?

To help find the answer to these issues, it is necessary to reflect on some of the characteristics of the electricity industry.

First, electricity is one of the basic needs of modern life, both in our private lives and to the economy.

Secondly, there is the long time cycle for investments, maybe up to 10 years or more to gain the necessary consents and to construct a new plant.

And finally, there is the financial scale of most of the investments.

Of course, these are the reasons why some argue that electricity should be government-owned. However, experience shows again and again that major infrastructure investments made on the basis of vote-winning appeal and subject to pressure-group lobbying frequently turn out to be flawed in concept and bungled in execution.

I am delighted to say that the U.K. government seems to be taking the energy policy issue very seriously. They recognise that the route set out upon so vigorously by Mrs. Thatcher some 12 years ago has been a great triumph but, left to itself, the market will take the U.K. down a path of potentially disastrous consequences. A new policy is now required.

This brings me onto the next question: "What is good energy policy?" Perhaps the best way of starting this off is to describe the consequences of bad energy policy.

California is a case well worth studying. Here, the energy crisis was precipitated by a combination of factors: poor market design with little incentive to back energy demand with physical assets, years of underinvestment with reliance on imported power to cover growing demand and inadequate transmission infrastructure.

The net result has been disastrous for consumers, politicians and shareholders. It has been bad energy policy in action for the whole world to see. If anything good has come out of California, it is the wake-up call it has given to many governments. Energy cannot be taken for granted.

The British Energy submission to the U.K. review of energy policy is boldly entitled "Replace nuclear with nuclear." In this, we have set out what we think is good energy policy. And before you think that the answer we've given is nuclear, nuclear and even more nuclear, let me say that this is absolutely not the case. Indeed, some nuclear aficionados have criticised us for that very reason!

The thrust of our submission is as follows:

The U.K. must maintain a balanced energy mix which addresses security of supply and environmental considerations, a range of fuels with no fuel dominating and a high complement of carbon-free generation.

Nuclear should be part of this mix and maintained at its existing 25 per cent level and as existing nuclear stations close, new stations should be commissioned. Hence, replace nuclear with nuclear.

The market and regulatory framework has to create the environment that will stimulate re-investment. Today's emphasis on lowest achievable prices will not deliver the right energy mix. Government action is needed to achieve this.

For example, already the U.K. government is stimulating investment in renewables through arrangements that require electricity suppliers to source up to 10 per cent from renewables or pay a penalty. We have suggested an extension of this to create a carbon-free obligation that would apply to new nuclear investments.

However, there are no easy answers. This is a highly complex issue with many agendas, high stakes and long-term consequences.

Let me turn now to my third question: "How does this relate to nuclear power?"

Only a few years ago, nuclear seemed dead as an energy source. Particularly in the West; any discussion of new build would have been quite unthinkable. Many plants were under-performing, morale was low and, sometimes, safety standards fell well short of where they should have been. This was beginning to manifest itself in early closures and a belief that once existing nuclear reached its end of life, that was that.

But the Wall Street Journal's phrase "a nuclear renaissance" now applies to the existing portfolio of currently operating nuclear plants. Performance is improving across the board, as is safety. Investors are now enthusiastic and no longer shying away.

When AmerGen bought Three Mile Island in 1999, we paid just over US $100 a kilowatt. Today, plants are changing hands for six or seven times that price. Reactors are no longer facing early shutdown and life extension applications are running at record levels.

So there is good cause for optimism. But the real question is: "Will new nuclear build just be talked about, or will it happen?"

From the perspective of security and diversity, there is no choice. It has to be. Nuclear power has a vital role to play in the society of tomorrow as well as today.

Specifically from an environmental standpoint, nuclear is the only technology capable of producing significant quantities of reliable and affordable carbon-free electricity and, thereby, making a meaningful contribution to preventing global warming.

Renewables have a significant role. But for a variety of reasons, they cannot provide the total answer. So, replacing nuclear with nuclear is something that many countries and their governments will have to address in the not-too-distant future.

But let me sound a word of caution. Nuclear power has still to address some fundamental issues of its own.

It must address the waste issue. Long-term solutions must be found for dealing with spent fuel before we embark on a new reactor programme. The technology to do this is available; what is required is political will.

And public acceptability will, in the future, be every bit as important as it has in the past. We must continue to be open and honest, patient and constructive.

We also need to face up to the fact that new nuclear plant designs are still too expensive and we are very upfront in our submission about this. However, we also believe that under the right conditions, new nuclear can and should be funded by the private sector.

The good news is that the waste management debate shows signs of being addressed. In the U.K., our government has just announced a thorough review although it is disappointing; they are planning the review should take some five years.

And there is good news too about reactor designs. They are getting more cost-effective and quicker to build. But there is a long way to go yet.

Turning, finally, to Ontario, I speak both as an advocate for the province and as an investor. I commend you for the boldness you have shown in developing the Ontario energy market. Bruce Power will be fully ready for opening of the market at the start of 2002. Let us march forward together.

Similarly, I believe that the programme of de-control will present opportunities for both new entrants and OPG alike.

From British Energy's point of view, we believe the Bruce transaction will deliver value both to British Energy's shareholders and also to the province. The Bruce B stations have been performing well and we're excited about re-starting some of the Bruce A units.

Furthermore, British Energy has become a CANDU convert. Our submission highlights that the CANDU NG design could be an option for a "replace nuclear with nuclear" programme in the U.K.

We are working with AECL on the development programme to license CANDU NG for application in the U.K.

British Energy intends to remain at the forefront of nuclear energy on both sides of the Atlantic. Visits between staff are already demonstrating the benefits to come from the exchange of expertise in both directions.

And finally, both personally and on behalf of British Energy, I would like to extend my thanks to everyone in the Ontario business community for the incredible support we've had ever since setting foot in Canada four years ago.

My wish is that this strong relationship continues to develop and prosper over the years ahead. We want to build on our initial investment in Ontario and are actively seeking ways of doing so.

Thank you for listening.

The appreciation of the meeting was expressed by David McFadden, QC, Partner, Gowling Lafleur & Henderson LLP and Director, The Empire Club of Canada.

October 25, 2001

Michel Vennat

President and Chief Executive Officer, Business Development Bank of Canada

THE POWER OF INNOVATION: DRIVING SMALL BUSINESS GROWTH

Chairman: **Bill Laidlaw**
President, The Empire Club of Canada

Head Table Guests

Charles S. Coffey, Executive Vice-President, Government and Community Affairs, Royal Bank of Canada and Director, The Empire Club of Canada; Rev. Dr. John Niles, Victoria Park United Church and Director, The Empire Club of Canada; Anastasia Baczynskyj, Honour Student, Humberside Collegiate Institute; Elyse Allan, President and CEO, Toronto Board of Trade; John Smith, Senior Vice-President, Commercial Banking, Laurentian Bank; Cedric Ritchie, O.C., Chairman of the Board, BDC (Business Development Bank of Canada); Catherine S. Swift, President and CEO, Chair of the Board, Canadian Association of Independent Business and Director, The Empire Club of Canada; Ryan Kalt, CEO, Nu Media Inc.; Ruth Fothergill, Regional Vice-President, Ontario, EDC (Export Development Corporation); and David Smith, Senior Partner, Fraser Milner Casgrain LLP.

Introduction by Bill Laidlaw

The Business Development Bank of Canada has certainly had some notoriety of late.

I believe that this bank has a very important role in Canada's economy in helping small businesses in Canada wherever they may be.

As a former president of the Ontario Chamber of Commerce, I very quickly learned how important small business was to Canada and that they needed all the help that they could get.

As our economy in Canada evolves and becomes associated with the world economies and we develop more warehouses and sales and marketing operations, it will be those small businesses that become increasingly more important and it is an institution like the Business Development Bank that will be helping them.

Michel Vennat is currently President and Chief Executive Officer of the Business Development Bank of Canada.

The Business Development Bank of Canada is a financial institution wholly owned by the Government of Canada.

The BDC plays a key leadership role in delivering financial and consulting solutions to small businesses here in Canada, with a particular focus on the technology and export sectors of the economy.

With a varied and distinguished career in both the private and public sectors, Mr. Vennat began his political career as Foreign Affairs Officer with the Department of External Affairs. He then moved on to the role of Special Assistant to the Minister of Finance. He also served as Special Assistant to the late prime minister Pierre Trudeau.

Michel moved to the private sector in 1970 when he began to practise law for Stikeman Elliot, one of Canada's prominent legal firms of which he eventually became a senior partner.

A staunch defender of Canada, Mr. Vennat acted as Chairman of the Council for Canadian Unity from 1994–1996 and in 1995 he was made an Officer of the Order of Canada. In addition he is also an honorary Lieutenant-Colonel of Les Fusiliers Mont-Royal Regiment.

His academic achievements are equally as accomplished as his career. A Rhodes scholar, he has studied at the University of Montreal, Faculty of Law and Oxford University, where he studied politics and economics.

It is my pleasure to welcome Michel Vennat as our guest speaker today.

Michel Vennat

Distinguished guests, ladies and gentlemen:

Thank you for the opportunity to be here with you today. This week, we are marking Small Business Week, an event the Business Development Bank of Canada (BDC) has been organising for the last 22 years. The BDC is proud to be part of this full week of activities during which we celebrate small business successes, share insights on the business strategies of the day and look to the future.

Given the tragic events of September 11 and their repercussions around the world, one might wonder if we really have anything to celebrate this year.

We would be deluding ourselves if we were to ignore the impact of those events on our clients, their businesses, and indeed the global economy. We are currently in a period where uncertainty is affecting both consumer and entrepreneur confidence, with the result that economic growth in Canada in the second half of 2001 will be close to zero or slightly negative.

How quickly growth will resume in 2002 will depend on geopolitical developments and on how soon consumer and business confidence return to normal.

However, Canada is better positioned than at any other point in its history to face this difficult period. The remarkable progress made over the last 10 years, in strengthening our public finances, in taming inflation and in the quick reaction of governments and the Bank of Canada, as demonstrated, for example, by the Bank of Canada's lowering of its rate by 0.75 per cent just two days ago, will stand us in good stead. Income tax cuts and the lowest interest rates in 40 years will help restore confidence and provide additional support for internal demand throughout 2002. And after seven years of uninterrupted growth, our businesses are showing stronger balance sheets and improved productivity, especially in the small business sector.

Our financial institutions are in excellent financial health, and I urge them to be flexible with their clients, so they remain real partners with our small businesses, during this period of slowdown and uncertainty.

At the BDC we have deliberately increased our general provisions from five to seven per cent of our portfolio over the last three years. We are better capitalised than ever and are well prepared to be flexible as we support our clients over the next few months.

At the bank, we responded quickly, as of September 22, by offering all our qualified customers the option of postponing principal payments for a period of four months starting October 1, 2001. As I pointed out in a letter to customers, we are confident the disruption is temporary, as the fundamentals of our economy remain strong. The four-month postponement is expected to give entrepreneurs who need it a reasonable delay to get back on their feet and plan for the future.

But we can't allow ourselves to be paralysed by the terrorist attacks and the events that have followed. Instead, we need to be confident about our economic future. I was encouraged by the recent Business Barometer update of the CFIB that small business owners remain optimistic about the prospects for the economy and their business performance. Small business is known for its resiliency and is often more flexible than large business when the economy slows.

The globalisation of markets and growing competitiveness remain very real business issues affecting all sectors of the economy. To be successful in this environment, companies must continue to focus on productivity and change. Our firms must seize new opportunities to increase their global reach and pursue their growth.

And that's precisely why the theme of this year's Small Business Week is "The Power of Innovation: Driving Small Business Growth."

Innovation is everyone's business, and not just that of large companies like Celestica, BCE or Biochem Pharma/Shire. Innovation is just as important for small business.

Because small business is important to Canada. After all, 75 per cent of all Canada's businesses have fewer than five employees and 97 per cent of all businesses have fewer than 50 employees. In the past decade, it's been the small firms that have displayed the greatest job creation during both downturns and times of economic expansion. At the bank, we are working very hard to raise the profile of issues that are important to the small business environment. And one of those issues is innovation.

Innovation is relevant to all sectors of the economy—the new and the traditional. It applies not just to the high-tech or biotechnology sectors, but to every sector from manufacturing and mining industries, to service industries and farming.

During this week, then, we applaud businesses that develop new ideas and innovations and we also support those companies that are prepared to adapt innovative processes and methods to their own operations.

But I'm not telling you anything you don't already know. Innovation is far from a new concept.

Today the technological revolution that has brought us sophisticated computer and telecommunications technologies has had a significant impact on work, leading to intensely competitive open world markets and instant global communications. It has created a constant need to develop unique new products and more efficient and original ways of conducting business.

Why should the average entrepreneur be concerned with business innovation? Because it's essential for growth. Because it pays off. Because the business that doesn't innovate is risking its eventual demise.

But what does innovation mean for a small business?

Well, it doesn't have to have a big department dedicated to research and development or to come up with the invention of the century to be considered innovative. Ask yourself these questions:

Does your company include both young employees and more experienced employees? Do you promote your employees' original ideas? Do you constantly seek new markets for your existing products? Do you adapt your products to market needs? Are you planning new means of financing? Are you focused on marketing? Productivity increases have been found to be six to nine times higher in innovative companies than in those that are not particularly innovative. And that increased productivity means more and better jobs, increased buying power and a healthier economy. In other words, a better standard of living for us all and healthier profits for you, the entrepreneur.

Small businesses play a very important role when it comes to Canadian productivity. In fact, the small business sector is the backbone of the economy and the country's main driver of job creation. In the 10-year period between 1988 and 1998, small businesses—that is those with fewer than 100 employees—were responsible for 86 per cent of the job creation. That translates into 2.4 million jobs out of a total of 2.7 million. In 1998 alone, they accounted for 71 per cent of new jobs.

And that trend is continuing. Most of the growth in net business creation, which has accelerated since 1998, has been among firms with fewer than five employees. And it's the new start-up companies that are among the strongest job creators and innovators in today's economy. In fact, small businesses now account for 43 per cent of Canada's GDP.

Canada's productivity levels have been the subject of intense scrutiny lately with comparisons made to our American neighbours whose standard of living has pulled ahead of ours. But major investments in new technologies and equipment over the last five years are starting to pay off. In fact, last week, the World Economic Forum announced that Canada had moved from sixth place to third this year on the Growth Competitiveness Index, just behind Finland and the United States. This improvement is largely attributable to our investments in post-secondary education, a key factor when it comes to technological innovation. Countries that consistently invest in their post-secondary education systems, in patents and in research and development are those that will win in the future. We're still behind the Americans; however we have the capacity to vault ahead of them. If Finland can do it, then so can we.

With disbursements of $6.3 billion in 2000, the Canadian venture capital industry plays a critical role in the development of the innovative businesses that are making a significant contribution to our economic growth and the creation of new wealth.

Venture capital-backed companies are proving to be high-growth companies. The rate at which they increase their employment, sales, R&D expenditures and exports far exceed that achieved by the economy as a whole.

The innovation race requires being constantly on the look-out for the latest innovations and the winners are those who adapt and integrate them into their management methods, their marketing strategies and their production lines. For a small business, innovation is mainly about being able to apply new, but already existing, technologies and techniques.

As a complementary institution, dedicated solely to SMEs, the BDC plays a critical role by offering venture capital, higher risk financing and affordable consulting services to this country's small business owners.

Our Venture Capital division supports seed and early-stage knowledge-based new ventures. Our Innovation Financing targets innovative businesses seeking to carry out Research and Development, develop new export markets or establish a website. And our national network of consultants can help businesses plan their technology strategy, implement e-business solutions or become ISO-certified. With the bank's Growth Potential Assessment, business owners can obtain a comprehensive review of their strengths and weaknesses in a variety of areas, including productivity-related issues.

Another way we are able to encourage and support innovation is through alliances, which we have with more than 40 partners ranging from chartered banks and venture capital investment funds to government departments. One of our most recent ones is with the National Research Council, a vital R&D source in our country. This alliance allows us to leverage the funding capability of NRC's Industrial Research Assistance Program to help enterprises develop and exploit technology in a competitive, knowledge-based economy.

At the BDC, we also practice what we preach. We're taking the innovation message to heart, constantly on the look-out for new ways to improve our own business, make it more responsive and more attuned to today's realities.

We are justly proud of our productivity ratio which is the best in the Canadian financial services industry and now lower than 50 per cent, while the average of Canada's banks is 62 per cent. Our most recent annual customer satisfaction survey results show that 88 per cent of our customers are satisfied with the service they receive from the BDC, compared to a 69-per-cent industry average for their SME clients. But while these results are good, we must do better. We have just completed a fundamental review of our loan delivery and administration processes to enhance the customer experience. We have adopted an aggressive customer-service improvement programme that will decrease by half our response time and internal processes and which will further decentralise our credit decision making. Within a few months, 95 per cent of our loans will be approved and processed within our18 areas across the country, because we know that the most effective decisions regarding credit are those made close to the markets and clients concerned.

So we take innovation to heart. But in one essential way, we will remain old-fashioned bankers. We will continue to take risk and support our clients in good and bad times.

Events like Small Business Week where we zero in on small business provides entrepreneurs with opportunities to meet fellow entrepreneurs and potential investors, to share ideas and to gather information on the help that is available to assist businesses to grow and prosper.

As part of Small Business Week, we also celebrate the achievements of Canada's young entrepreneurs at the annual Young Entrepreneur Awards ceremony, honouring successful business leaders, aged 30 and under from every province and territory. This reinforces and encourages the entrepreneurial spirit across the country.

I'm pleased to salute this year's winner for Ontario, Ryan Kalt, CEO of NuMedia Internet of Kingston. Ryan is a true entrepreneur and I am proud that BDC has honoured him with this year's award.

During this week, as we celebrate the success of small and growing businesses, we recognise the inroads made by creative entrepreneurs right across the country. Their original ideas and innovative spirit are a major driving force of our economy.

Congratulations to those of you who represent Toronto's small businesses. You are making a valuable contribution to the economy of this city, of Ontario and of Canada. You have played an important role in the creation of thousands of jobs. You have found the winning formula that enables you to deal with a constantly changing marketplace and intense global competition.

It takes an innovative mindset to launch and run a business. And it takes determination and dedication to make it work. This week, as we celebrate small business success, it's time for you to give yourselves a pat on the back and for us to encourage you to carry on.

You have shown that you know what innovation is all about. And you can count on the BDC to be there for you with timely and relevant solutions to your needs.

Thank you.

The appreciation of the meeting was expressed by Catherine S. Swift, President and CEO, Chair of the Board, Canadian Association of Independent Business and Director, The Empire Club of Canada.

Cedric Ritchie, OC, Chairman of the Board, BDC (Business Development Bank of Canada), Michael Vennat, President and CEO, BDC (Business Development Bank), Charles S. Coffey, Executive Vice-President, Government and Community Affairs, The Royal Bank of Canada and Director, The Empire Club of Canada and Elyse Allan, President and CEO, Toronto Board of Trade.

November 1, 2001

The Hon. Tony Clement

Minister of Health and Long-Term Care for the Province of Ontario

THE FUTURE OF THE HEALTH-CARE SYSTEM

Chairman: **Bill Laidlaw**
President, The Empire Club of Canada

Head Table Guests

George L. Cooke, President and CEO, The Dominion of Canada General Insurance Company and Chieftain Insurance and Past President, The Empire Club of Canada; The Reverend Prue Chambers, St. Nicholas Anglican Church, Birchcliffe; Sadhisha Ambagahawita, Student, Student Council Member, Western Technical Commercial School; Geoffrey P. Lougheed, Executive Member and Chairman, Human Resources Committee, Sudbury General Hospital; Roger A. Lindsay, President, St. John Council for Ontario; Lillian Morgenthau, President and CEO, Canada's Association for the Fifty-Plus; Catherine Steele, Vice-President, Public Affairs and Corporate Communications, Hoffmann-La Roche Limited and Past President, The Empire Club of Canada; Ron Loucks, Executive Vice-President, North America, BCE Emergis, eHealth Solutions Group; Tom Long, The Monitor Group; and Ronnie Miller, President and CEO, Hoffmann-La Roche Limited.

Introduction by Bill Laidlaw

Today's address by the Minister of Health and Long-Term Care is a timely one. There is not one issue, even with the memory of September 11 still in our minds, that is more important than health care.

When one thinks of the most important things in life, one's health has to be the priority! Without that, other challenges in life cannot be met.

The system of health care that we have grown up with is what makes us distinctive. It provides us with a competitive edge over our American friends and makes us envied around the world.

I am of the age when I remember having to pay for a visit to our doctor. Times have certainly changed and the current health-care system keeps our federal and provincial governments consistently challenged.

Many of us have had both positive and negative experiences with our health-care system in Ontario. We all know it is under considerable stress with so many citizens of Ontario placing unbelievable demands on it.

I continue to have faith that our various governments will continue to manage our ship of state successfully, monies from the federal government will continue to be provided at realistic levels, and our Ontario Ministry of Health will provide us with health care that is both reliable and consistent throughout Ontario.

Health care must be not only clinical but also compassionate. Diagnosis must be done properly with a healthy outcome as the desired result. Hospitals must be places where you go to get well not places where you go when you are ill.

I do not believe there is an individual better suited for the role of minister of health today than Tony Clement. I have had the good fortune of knowing this man for many years.

I can remember watching him as a young PC at various PC conventions and I was very impressed with his enthusiasm and dedication to the party as well as his love for politics.

As a party worker and then as president of the Ontario party and assistant to Mike Harris he demonstrated his ability to organise and put both people and processes in place to build the party as a successful alternative to the existing NDP government.

In 1995 he helped to lead the Ontario PC Party to victory by winning his seat in Brampton South.

Today Tony is the recently appointed Minister of Health and Long-term Care. He was appointed to the post by Premier Harris in February of this year.

Prior to his appointment as Minister of Health and Long-term Care, he was Minister of Municipal Affairs and Housing. He has also been Minister of the Environment where he developed programmes and policies aimed at protecting our environment while encouraging eco-friendly industry and technology.

Minister Clement was first elected as MPP for Brampton South in 1995. He was then appointed by Premier Harris as parliamentary assistant to the Minister of Citizenship, Culture and Recreation. He eventually moved on to become parliamentary assistant to the Premier.

In 1997 he was appointed Minister of Transportation, his focus being to maintain a safe and reliable transportation network. He saw this as a key component of Ontario's economic vitality and competitiveness.

His academic credentials include a political science degree from the University of Toronto. He completed his law degree in 1986 and was called to the Ontario bar in 1988.

His political career has spanned the globe. He has worked in Central and Eastern Europe as a consultant to western companies and local governments. Minister Clement has helped many small- and medium-size Canadian businesses expand internationally.

His volunteer activities include the Harvard University's project Liberty and the National Democratic Institute.

We are indeed fortunate to have you speak to us today, Mr. Tony Clement.

Tony Clement

Thank you for your kind introduction, and it truly is an honour and a pleasure to be back to address you.

Born in Manchester, England, I was the product of the Empire's reach. My father is Greek Cypriot. Despite its tumultuous history, Cyprus is still home to a British outpost. Its currency is still called the pound, although now the Cypriots would like to trade it in for the euro. That is progress.

My mother's ancestors touched Manchester through the Egyptian cotton trade, a connection to Britain's mercantilist Empire if ever there was one. Together, my parents left Britain to pursue a better life in Canada. A better life for themselves, to be sure, but more so a better life for their child. Isn't that still the immigrant's dream today?

I tell the story sometimes of how I almost became an Australian. We were approved to emigrate Down Under and were set to go. But, in a final interview, the Australian immigration official was rude to my mother. My father, exhibiting his trademark Mediterranean temper, decided on the spot: "That's it; we're going to Canada!!" Much to the chagrin of some, I thus became Canadian rather than Australian through that single twist of fate.

But, my point is that the last shudders of the Empire created the context in which I became a Canadian, a fate I will never regret. That context and set of decisions outside my control allow me to not only raise my family in the best country in the world, but I have had the privilege to give back to my community, to my province and country, through public service. I thank my stars for a father with a temper.

Much has happened in the time between my two club addresses. For most of us, not a day goes by without our lives somehow being touched by the attacks on America on September 11. The attacks affected our whole frames of reference. All of a sudden, that extra deal or trade or office project was infinitely less important than holding your parent's hand a few extra moments, or hugging your child an extra minute. In times of war, these feelings are natural, and it is also natural to turn to our family members, our neighbours and our governments for comfort, leadership and support.

This challenge that we face, not chosen by us and engaged with reluctance and horror, forces us to understand our choices. The tolerance and understanding that has been the hallmark of the Canadian way is under attack by the extremists who cannot abide it. It is not only our neighbours, the Americans, who face this peril; it is everyone in this country who wishes a life for his or her children to be lived without fear of random terrorist acts.

We must all fight terrorism in our own ways. For a few, it means directly going in harm's way to the theatre of battle. For most of us, it means conducting our lives in as normal a way as possible. Just like every one of you on September 11, I was profoundly affected by the unfolding horror. I was scheduled to open nursing home beds in three different communities in Ontario. For a time, I thought about cancelling these celebrations and grieving in private. But, in the end, I decided to carry on. To do otherwise would have given the terrorists the win they craved. What's more, the people with whom I was celebrating were the better angels of humanity. They were building, not destroying. They were caring for their fellow humanity, not giving in to hatred. Surely, when we recall September 11, let us remember these characteristics: compassion, resilience and heroism.

The role of government is clear in these new circumstances: to protect the populace from any new attacks. That is why Premier Harris has laid out the initial steps designed to increase the economic and personal security of Ontarians. This includes the appointment of Lewis MacKenzie and Norman Inkster as special security advisors, and the recent creation of special OPP anti-terrorist teams.

At the Ministry of Health, our response to the threats of big-terrorism has been swift and decisive. On September 12 we started communicating information to hospitals and medical staff on the nature of and the symptoms found with various big-terrorism agents, like anthrax and smallpox. More details were distributed in the days following the attacks. In conjunction with Health Canada we have also been involved in vaccine and antibiotic accumulation, as well as lab testing of suspicious letters and packages.

There is no question in my mind, however, that more must be done. We must think the unthinkable and plan for the implausible. And, as Premier Harris has well articulated, this province must be on the inside of a security perimeter, a safe umbrella which we will share with our American neighbours. Our economic future will be determined by the successful creation of this perimeter. Windsor, Niagara Falls and other border areas cannot much longer withstand the harsh economic winds created by clogged border crossings and a non-travelling public. This perimeter, in my opinion, must also encompass a much more thorough set of immigration and border-crossing procedures. If the federal government will not or cannot take the lead in this area, Ontarians will support a provincial initiative to protect ourselves.

While the aftermath of September 11 continues to preoccupy us all, there are other issues we cannot lose sight of, in particular from my perspective today, the future of the health-care system.

People frequently ask me whether I am "enjoying" being health minister. This is usually a very polite way of inquiring whatever did I do to the Premier to earn a stint at the domestic and modern equivalent of The Russian Front. I answer, truthfully by the way, that I do enjoy the job, despite the worries, challenges and occasional frustrations.

The reason is crystal clear: it's the people I meet. I get to know some incredibly special people. I meet philanthropists who give thousands and millions to combat disease and support the providers of health care. I meet medical professionals—doctors, nurses and others—who work around the clock to deliver skilled and compassionate care. I meet volunteers, who give hundreds of hours a year to help create a kinder and gentler health system. And I meet my share of patients: tiny babies in the neonatal wing, courageous and determined women and men who battle disease and even try to help others while they do. And wonderful seniors, who make our nursing homes truly homelike.

The reason I describe these incredible people is because it is they on whom we should all focus when we talk of a "health-care system." I have noticed that people feel entirely comfortable describing to me their health-care experiences—the good, the bad and the ugly. In fact, many describe hospitals, long-term care facilities and community care that are second to none. But, I also get stories which are more disturbing and, quite frankly, more upsetting. A women I spoke with recently had filled out the health-care questionnaire and asked me to call her to hear the story of her father's treatment until he died of cancer. I did call, and the story I heard is embedded into my memory forever more. It was just so disquieting: a man's last weeks full of medical mistakes and insensitivity. The daughter was an intelligent and articulate person, rendered powerless by a system that didn't work for her dad. Her tears were real, as was my similar distress. How many times is this story repeated?

In July, I sent out a health-care questionnaire to every household in Ontario. Over four million were sent out. The questionnaire asked for the respondent's recent experiences with the health-care system. What did they like and what didn't they like? What worked well and what needed improvement? What are the priorities in the future? If you were health minister for a day, what should be changed first? We also contacted health-care professionals and providers for their input.

Sceptics figured we picked the summer months deliberately to suppress the response. In fact, people wanted to respond, and they took the time over the summer to complete the questionnaire fully and earnestly. Close to 400,000 questionnaires were returned, about three times the usual response rate for these kinds of direct mail. I have read hundreds of the responses personally, but I can assure you that each response is being tabulated professionally and comprehensively.

In the meantime, enough of the questionnaires have been read and tabulated to draw some basic conclusions, and I would like to share these with you today. First, while nearly three-quarters of the respondents agree that Canada is one of the best countries to live in due to our health-care system, somewhat fewer, around 42 per cent, rate the quality of our system as excellent or good. Here is another paradox: despite the feeling that the system as a whole needs improvement, people's personal experiences with the provision of health care is rated excellent or good by 56 per cent of respondents.

There's no question that people feel frustrated by the level and quality of service they receive. Yet, when you scratch beneath the surface, you find that the reasons for the dissatisfaction overwhelmingly involve the shortage of medical staff or the long waits to get a procedure or test done. In other words, once your turn to get attention came up, your satisfaction with the health system increased dramatically. Timely accessibility is the challenge and it is one which will only grow as demand and utilisation increases with our growing and aging population. Over the next 15 years, the number of Ontarians 65 and older will double and this age cohort already represents close to 50 per cent of health-care costs. What's more, we live in what I call the "30-minutes-or-free society"; we expect every brand new wonder drug and revolutionary medical procedure to be delivered with the frequency and reliability of our pizza. And why not? After all, health care is the most important public good.

I have made another observation about the questionnaires that were returned. This is perhaps less tangible but no less important. I call this issue the problem of powerlessness. Consider it this way: if you are ill or injured, you already feel powerless over what is happening to your body. Yet, at times, our health-care system only accentuates the feeling of powerlessness that a person feels. Common ways this happens involve unacceptable waits, a lack of compassion and sensitivity and, more generally, a feeling that you don't count for very much in the provider's universe.

Again, perhaps this is not so surprising. After all, the hospital relies on complicated funding formulas and the enlightenment of the Ministry of Health in order to secure its annual funding. The doctor is mindful of OHIP billing criteria in order to pay the bills. Powerless is also how some doctors, nurses and health managers feel within a system that sometimes seems to conspire against common-sense approaches to care, so this is a challenge that all of us face. I need not describe how powerless the Minister of Health feels on occasion.

The good news is that the first challenge, that of timely access, is being tackled quite successfully as we speak. Initiatives such as the Telehealth free nurse advice line, our cardiac care network and long-term care building campaign all relieve pressures on our emergency wards. Our 30-per-cent increase in medical school places, the creation of a brand new medical school in the North, the new satellite medical school campus in Windsor and the rapid consideration and certification of foreign medical school graduates all help us recruit and retain doctors.

The $400 million spent annually to recruit and retain nurses helps us keep the nursing profession vital and staffed. Finally our decisive move to 24 by seven rostered doctors' offices helps us keep the minor cuts and bruises, along with the stuffed noses, out of the hospital waiting rooms. Unprecedented funding levels for hospitals, cancer care and capital and equipment renewal undertaken by the Harris government all augur well for the future.

But it is the issue of powerlessness that nags me still. Unless and until the system can bend to the will of the patient, and until there is a feeling of accountability for the choices made by both providers and users of the system, I suspect that frustrations will continue to be felt. I say this within a certain context: Ontarians and

Canadians fervently desire to preserve the single-tier, universal-access aspect of our medicare system. I agree with them: nothing I have seen in the parallel two-tier system found in Britain leads me to conclude that their waits are shorter or that their general level of satisfaction is better. No, this debate is all about saving our single tier so that it is sustainable into the future. Within that context, however, let me restate the question: is giving power to the people, giving them choices to be made responsibly, too much to ask our health-care system?

I ask this not with ideological blinkers or with some lurking agenda. Indeed I have always felt that the provision of excellent quality health care is the least ideological of all government pursuits. It is the ultimate in pragmatism. What can be done to make the system work better for the patient in a sustainable and responsible manner? What reforms can give the public better, cheaper, faster and safer health care? To me, these are questions worthy of national public debate, and one which should be the subject of thoughtful answers by anyone who wishes to sit in the premier's chair, and that includes Dalton McGuinty.

I mentioned this is a national public debate for a reason. The fact is, health care is of such importance that the solutions cannot be found simply by provincial leadership. The Canada Health Act is a national document, purporting to set out the principles that define the provision of health care which all Canadians should expect. Yet, it is becoming an empty vessel. Even in these troubled times health care remains the number-one spending priority of Canadians for both their federal and provincial governments. Yet, the federal government is spending less on health care today as a percentage of actual spending than they did six years ago. At 14 per cent of public health-care expenditures, the feds are nowhere near the 50-50 split as envisaged by the original framers of the Canada Health Act. Ladies and gentlemen, this is nothing less than irresponsible, an abdication of responsibility with consequences of perennially difficult choices facing provincial governments across the nation. The fallout is less about cutting essential medical services; Ontario is successful enough to avoid that, although less fortunate provinces are facing the abyss. It is more the question of what else is cut to help pay for increasing health-care costs and demands. Teachers who want more public-education investments, police officers who want more community safety resources and commuters who want more transit lines should all get to know their federal Liberal MP's phone number in order to make the point. Every dollar that has to be re-allocated to health care comes from other priority provincial programmes. Across the country, this day of reckoning is fast approaching, and yet Ottawa fiddles while we burn. Call your local MP.

When just starting out as Minister of Health nine months ago, and in my bleaker moments, I would grimly tell myself that I had the only portfolio where ultimate failure was built-in and inevitable. The end product of being Education Minister was more educated citizens. I remember being Transportation Minister, where progress could be scientifically measured in terms of kilometres of pavement or fewer collisions per capita. But in Health, despite my best efforts, every single one of us still faces our own mortality. In retrospect, that is too bleak a judgement. The health field is full of miracles: of cures discovered, techniques perfected and human ingenuity used to prolong not only life but a high quality of life for ourselves and our fellow human beings.

Michael Decter, the former Deputy Minister of Health and now head of the Canadian Institute of Health Information, once told all of the nation's health ministers that they will never have a more fulfilling and important job than the one they presently possess, even if they later get promoted to premiership. Some speculate that I will soon attempt to judge this for myself. In the meantime, I remain inspired by two examples that I would like to share with you. In classical times, the young king Alexander of Macedonia shocked the entire ancient world by solving the challenge of the knotted cord found in Gordium. This is the proverbial Gordian knot, and Alexander solved it using what we would now call "thinking outside the box"; a strong sword came in handy as well! Sometimes solving problems requires courageous thinking.

The second example is more recent. A classmate of mine recently succumbed to cancer, leaving a widow and three children all under the age of ten. I think about that family a lot, and I hope to see the widow tonight at a class reunion. Jill told me a story that took place during Jeremy's last days. He was being transferred by stretcher from one hospital to another, leaving a brand new emergency ward that I recently helped open. During the transfer, an orderly commented that the grading in the new ward made transfers extra difficult. Jeremy, whom everyone had assumed was unconscious, revived and commented: "You know, I can call the Minister of Health about that." Well, Jeremy, if you're listening from your peaceful vantage point, I'm still working on it. When tired or discouraged, I think of that story, and I conclude, very quickly, that sleep can wait when action is needed.

Thank you.

The appreciation of the meeting was expressed by Catherine Steele, Vice-President, Public Affairs and Corporate Communications, Hoffmann-La Roche Limited and Past President, The Empire Club of Canada.

November 8, 2001

Norman D. Inkster

President, KPMG Investigation and Security Inc.

TERRORISM IN THE MODERN AGE: THE EVENT AND THE RESPONSE

Chairman: **Bill Laidlaw**
President, The Empire Club of Canada

Head Table Guests

George D. Anderson, President and CEO, Insurance Bureau of Canada and Director, The Empire Club of Canada; The Rev. Prue Chambers, St. Nicholas Anglican Church, Birchcliffe; Nirupa Varatharasan, Student, Student Council Member, Western Technical Commercial School; Stephen Vaughan, Partner, Aird & Berlis; John Phelan, President and CEO, Munich Reinsurance Company of Canada; Bob Widdowson, National Partner in Charge, Information Risk Management, KPMG LLP; George L. Cooke, President and CEO, The Dominion of Canada General Insurance Company and Chieftain Insurance and Past President, The Empire Club of Canada; Christian Cassebaum, President and CEO, Allianz Canada; Francine Blackburn, Senior Vice-President and Chief Internal Auditor, Royal Bank of Canada Internal Audit Services; and Dick Freeborough, Partner, National Director, Insurance Industry Practice, KPMG.

Introduction by Bill Laidlaw

Over the last two months I don't feel that one day goes by without us thinking about the events of September 11. Of course we now have the added fears of anthrax and other forms of bio-terrorism.

Before September 11, I do not believe any of us felt that an action against the World Trade Center would happen. I know I was lulled into a belief that everything was okay and that our governments and those individuals entrusted with our security would take care of things. Disasters involving terrorism happened in Ireland, Israel, Palestine… anywhere else but here. How wrong we were.

Today we have become more aware of terrorism and our abilities to prevent it than ever before. We watch it every night on CNN and CBC. It has dominated our lives and changed them forever.

The big question now is: Are we prepared in Canada? What are our governments doing to get us prepared and when will we be ready? What roles do we play? What happens if an event happens in Toronto, Montreal or Vancouver like the one in New York City?

Today we are fortunate enough to have as our guest speaker an expert on this subject.

Norman is currently the President of KPMG Investigation and Security Inc. KPMG Security offers a comprehensive range of investigative services for Canadian businesses.

Prior to joining KPMG, Norm enjoyed a lengthy and successful career with the RCMP. His career with the RCMP began back in 1957 when he was posted to Alberta. Following several years of police duties he was transferred to RCMP headquarters in Ottawa. There he was engaged in organisational and personnel-related functions.

In 1978 he was appointed Officer Commanding for the Montreal Subdivision and in 1980 he became Officer in Charge, Staffing and Personnel Branch for Officers.

Throughout the 1980s and early 90s Norman moved through various commanding posts within the RCMP. Some of the posts he has held include Commanding Officer, Director, Organization and Personnel, Deputy Commissioner, Criminal Operations and in 1997 he was appointed Commissioner, with responsibility for the RCMP's policies, affairs and conduct of its 22,000 staff.

He retired from the RCMP in 1994 and accepted a position as partner with KPMG here in Toronto.

Norman's professional accomplishments include receiving the Queen's Silver Jubilee medal, the Royal Canadian Mounted Police long-service medal, the Order of St. John of Jerusalem and the Award for Excellence in Race Relations from the Minister of Multiculturalism and Citizenship Canada. He was also named as an Officer of the Order of Canada in 1996.

Please join me in welcoming Norman Inkster, our luncheon guest today.

Norman Inkster

Terror is defined as extreme fear. A terrorist is someone who favours violent and intimidating methods of coercing a government or a community while wreaking havoc as a consequence.

One of the realities brought home to me and I suspect to others around the world following the events of September 11—a day of infamy—is how, over the past 20 or so years, the terms terrorist and terrorism rolled off our tongues with such ease.

In North America, and in particular in Canada, terrorism was something that happened to others. Complacency has allowed us to forget the FLQ crisis (which resulted in the application of the War Measures Act and the murder of Pierre Laporte) and the bombings in Narita which killed two baggage handlers as well as the bombing of Air India off the coast of Ireland which resulted in the deaths of 329 innocent souls. Both of these bombings were events which were probably planned in Canada but most certainly actioned from Canadian soil by people here enjoying the liberties of Canada while attempting to solve problems, real or perceived, in their homelands. One person's freedom fighter is another person's terrorist.

We will recall that Mr. Reyat, who had fled Canada to the U.K., was charged, arrested, extradited, tried and convicted of the Narita bombing. He is now facing charges with respect to the bombing of Air India. His alleged accomplice, Mr. Parmar, was killed in the Punjab.

At that time, the Air India bombing was the single most deadly terrorist act involving an airline in history. In light of the events of September 11, it now, sadly, pales by comparison.

If we take a moment to reflect on the terrorist acts that have occurred in what might be defined as the modern age, we have heard or read of nothing which compares even remotely with the events of September 11, 2001. In material I have read that is written by the foremost experts on terrorism, none—not one—contemplated that terrorists would hijack a plane and turn the aircraft into a fuel-laden, airborne bomb and fly it into a skyscraper in one of the largest and most sophisticated cities of the world while calming the passengers, we suspect, into believing it was a normal hijacking incident. Imagine even thinking that hijacking can be "normal."

In terms of what terrorists might or might not do, all bets are off. It is time to start thinking outside the box.

September 11, 2001 ushered in the new age of terrorism. Aside from using the aircraft in the manner in which they did, they also demonstrated that every country in the world is vulnerable to attack. The message is clear that whatever protection we felt we might have had, by virtue of North America being separated from off-shore disputes by miles of ocean, no long offers comfort.

We should also take a minute to think through and to some degree speculate on what happened and more importantly to contemplate what might be done to bring the individuals to justice while returning North America to normalcy and security—whatever those terms mean now and in the future.

First the event. I suspect that no other tragedy in the history of the world so captured the minds and attentions of every living soul. The images, which flashed around the world of the two aircraft slamming into the twin towers of the World Trade Center and the gaping hole at the Pentagon, are forever etched on our memories. Two symbols of American might and affluence—the World Trade Center Towers and the Pentagon—were successfully attacked by terrorists probably operating out of

Afghanistan. The unspeakable horror of what occurred has defied adequate description.

In the 20 minutes of attack on the World Trade Center more casualties were caused than by the World War II bombings of Rotterdam and the attack on Pearl Harbor combined. The combined losses in those two World War II events approximated 3,200 people while the losses of September 11 are close to 6,000. For the first time in history the North American continent was attacked successfully. Fifteen thousand children lost one or more parents. It is little wonder that our confidence has been shaken and our complacency has disappeared.

While the facts are yet to be known, it would be quite reasonable to conclude that the level of planning in the attack was so precise as to achieve maximum media coverage by staging the crashes 20 minutes apart. Whether deliberately planned or not, the terrorists achieved worldwide media coverage and, in keeping with their goal, inflicted terror on us all.

The challenge for authorities, in addition to hunting down those responsible, will also be to examine what if anything went wrong with the early warning systems. Why was there no warning that something of this magnitude was being planned? Is it possible that indicators were overlooked, fell between the cracks or were not taken seriously? As we know, some U.S. authorities were quick to point an accusing finger at Canada, suggesting the perpetrators entered the U.S.A. from Canada. While it is true that our immigration system is less than perfect, it is not Canadian Immigration that allows people into the U.S.A.; that is a U.S.A. responsibility. While finger pointing will continue, I firmly believe that the biggest failure of all was in the world of intelligence—a failure that is both possible and probably understandable.

Once all of the fact-gathering is finished and there has been sufficient time for a thorough investigation and analysis, the events of September 11 will be characterised, I believe, as an intelligence failure for the United States. It is evident from the early days of the investigation that a great deal of information was known about the hijackers and their co-conspirators. Evidence of this knowledge was demonstrated in the ability of the authorities to make a large number of arrests and detentions in the wake of the attack. If law enforcement authorities did not have names and addresses of suspects such swift action would not have been possible.

If the forgoing is true then why did law enforcement not act sooner? To contemplate the response we must first consider who might have had the information.

In the United States there is a great deal of unhelpful competition between and among those agencies who share a law enforcement mandate over a given jurisdiction and/or over the issue of investigating and containing terrorism. In law enforcement like every other aspect of human endeavour, information is power which leads to the natural reluctance to share information with the "competition." A law enforcement agency's successes leads to higher profiles and strengthens the possibility that lobbying efforts on Capital Hill will result in Congress supporting requests for increased funding. The division of power is fundamental to the American Constitution.

Let me give you one example from the American's War on Drugs. The primary mandate of the Drug Enforcement Agency is the interdiction of the illicit drug trade. The FBI see it as its domain as well, because the mandate of the FBI is organised crime and organised crime is involved in the drug trade. U.S. Customs have drug interdiction as a primary concern as it is its job to prevent contraband and illicit goods from entering the country. Alcohol, Firearms and Tobacco have drugs as a top priority because of the prevalence of weaponry among drug dealers. Then there is the CIA, that feels that drugs and the proceeds of drug sales could undermine the financial infrastructure of the U.S.A. There is also the IRS who are interested in the proceeds of drug sales. At one time there were 17 different federal agencies in the U.S.A. who did the same work as the RCMP in Canada. When competing for limited budget dollars, success and a high profile can be influential in determining which agency is favoured by budget increases. So why help the other guy?

Fortunately in Canada this level and sort of competition between agencies is much less. That is not to suggest that there has not been tension between the RCMP and CSIS in the past over the timely sharing of information. To understand this tension we must also appreciate the different but complementary roles of the two agencies. There is no law in Canada against terrorism, but there is the problem of terrorism and terrorists, and in pursuit of these concerns Parliament in its wisdom has given the RCMP and CSIS a shared mandate. CSIS officers are not peace officers and they do not have the powers of arrest unlike the RCMP and other Canadian police services. If the police do their work well then everything they learn eventually becomes public in a court of law. With CSIS, on the other hand, if they do their work well, their information will never, and should never, become public. One can quickly recognise therefore the inherent reluctance on the part of CSIS or any other security service to share information with the police. There is clearly an important and delicate balance to be achieved.

The most confounding question is: How are we to deal with terrorism and terrorists in a free and democratic society? There is no simple answer and I do not for a moment envy the challenges facing our legislators. If we do not get the balance right as between our civil liberties and the power of the state then we run the very real risk of handing the terrorists a victory. That being said, however, I firmly believe that as a consequence of September 11, the balance has shifted a bit. I suspect that most Canadians will now accept a bit more oversight and a bit more inconvenience in the interests of safety.

We can anticipate that such things as identity cards with our fingerprint and our photograph on both sides, retina scans, as well as voice recognition and facial imaging are all being considered for various applications in designing safety measures. While such measures might have offended the majority of us in the past, I do believe that our attitudes have changed and that most of us will accept this added scrutiny in the interests of our own security and that of others. Today, as we wander about the complexes of downtown Toronto, I would venture that our photographs are being captured a hundred or more times. Big Brother has been watching for some time.

The reaction in the U.S.A., followed by the reaction of many other national leaders around the world, was to declare a war on terrorism. President Bush has said that we are either part of the solution or we are part of the problem. Once we have declared war (although not in the normal sense), we invoke many of the trappings that a normal declaration of war entails.

But how do we engage in a war against terrorists? Who is the enemy and how will we recognise them? Where is the enemy? What are the strategic objectives of this war? How will we know if we have won? Will someone surrender and a truce be declared?

While these are all challenging and important questions, the reality is that the U.S.A. and its allies had no choice but to address the problem in the manner in which they have. While the investigation of terrorist acts is fundamentally a law enforcement responsibility, one cannot conceive of any law enforcement agency being successful in an investigation of Osama bin Laden and other members of al-Qaeda.

One of the fundamental principles of democracy, however, is the rule of law. And, unequivocally, the rule of law must prevail in this war with the offenders being brought to justice and standing trial in an appropriate jurisdiction. Killing bin Laden will solve nothing as there are a hundred more just like him willing to take his place and die for the cause. Having dealt with those guilty of the events of September 11, we will also need to find an effective way of dealing with the causes of terrorism if an enduring peace and a secure world is to be achieved.

So what do we do? First, to repeat, the rule of law must prevail in these circumstances as it has in all other similar situations where terrorist bombings and murders have occurred. If we resort to the ways of the terrorists, they win and we lose.

What is essential in all of this is that we must become much better prepared and equipped to deal with terrorism in a pre-emptive way. We must examine our own readiness to deal with terrorists and terrorist organisations with representatives in Canada. To put this issue in some context, for several years now CSIS has publicly reported that it is aware of about 50 terrorist organisations in Canada and about 350 people with ties to or who are supporters of terrorist organisations. Prior to September 11 these reports seemed to fall on the deaf ears of parliamentarians, other Canadian leaders and the public. We have even allowed such people to solicit monies in Canada for their causes and for that money to be sent to various homelands in support of terrorist activities.

While I am confident that information of a planned criminal event in Canada by any of these suspect individuals was shared with the police, the sad reality is that, in the absence of evidence that a conspiracy to commit a crime was in place, little could be done by the police under the existing law. The proposed pre-emptive detention provision of the new legislation is an attempt to address this concern.

Very few tools are available to the police allowing them to act in the absence of reasonable and probable grounds that a crime has been committed or is about to occur. There is no provision for the police to open mail under a judicial warrant. Decisions from the Supreme Court of Canada have so restricted the actions of the police that, with respect to wire taps, the law now obliges the police to document in minute detail why such intrusive measures are warranted and why all other forms of investigation have failed or would fail. Affidavits to back up a search warrant or wire tap, which were once several pages long are now more likely to be 80 to 100 pages in length. While approval of a search warrant by telephone is available, such approval is reserved for the most exigent of circumstances.

We need to examine the powers available to the police in the light of September 11 so that they can effectively investigate and detain suspects in a timely way while having available pre-emptive measures that can prevent tragedies from occurring in the first place. While bringing a criminal to justice with the courts determining innocence or guilt can bring the satisfaction of a job well done, nothing can replace the elation of knowing that appropriate pre-emptive measures prevented the loss of even one life.

From an entirely different perspective, we cannot afford—afford in the very real sense of the term—not to take strong measures to bring terrorism under control. September 11 virtually brought commerce to a standstill as planes stopped flying, vacationers stayed home, and conference and business travel was cancelled. The cascading influence of September 11 will be felt throughout the world economy for months if not years to come. The event plus a soft economy has caused countless businesses to fail and has resulted in thousands of lay-offs.

The efficiency of just-in-time deliveries is a thing of the past while trucks wait hours to cross the border as our cross-border trade of $1.2 billion daily slows to a trickle. Experts tell us that the insurance claims from September 11 will range from $40 billion to $100 billion and our insurance premiums are going to skyrocket as a consequence.

The challenge for all of us and our political leaders in particular is to determine what measures are reasonable, practical and doable under the circumstances. While not providing a panacea, I am a strong proponent for a secure North American perimeter. Such a measure would not in my opinion necessitate that we succumb to U.S. laws and policies. It would oblige us to ensure that the processes that make the laws and policies work are done to a mutually acceptable standard and that they work in concert. Harmonisation is not a four-letter word. Other countries have put such measures in place successfully, so why can't we?

September 11 highlighted weaknesses on both sides of the 49th parallel. Successful commercial relationships will require that we achieve confidence in one another's processes to allow for the free flow of goods between Canada and the U.S.A. We cannot afford to do otherwise.

In spite of the weaknesses and gaps in our system, I am comfortable stating that we are well prepared in this country to deal with terrorists. I am even more confident that we will be much better prepared in the months ahead as the budgets of the police and other agencies are increased and new laws are put in place to allow all to act efficiently and effectively while maintaining the rule of law. I am also confident that a shared level of confidence between Canada and the U.S.A. will be achieved as commonsense prevails.

Out of all of this come some fundamental business truths. In a document entitled "Rethinking Our Borders," published by the Coalition for Secure and Trade-Efficient Borders, several principles are set out which now seem to be self-evident:

- The security of Canadians and Americans is paramount;
- Security and trade are linked;
- Collaboration is essential;
- Technology is an essential tool;

- Solutions must be bilateral in nature;
- Solutions must be balanced, workable and predictable; and
- The time for action is now.

Security has always been everyone's responsibility and certainly never more so than now. We need to ask ourselves whether or not we are prepared should the buildings in which our businesses are located disappear. How we resurrect damaged or destroyed communication systems and computer links, how we locate and inform staff, how we get back into business have all become very real and legitimate concerns deserving of our immediate attention.

The battle against terrorism will take time and perseverance. There is no prospect of a simple solution, especially since the root causes behind these terrorist acts are unlikely to be removed by military action alone. Inevitably, therefore, the issue of terrorism will impact upon our political, social and economic environment for a long time to come.

And that means that the terrorists have already won a major and enduring victory.

Thank you.

The appreciation of the meeting was expressed by George D. Anderson, President and CEO, Insurance Bureau of Canada and Director, The Empire Club of Canada.

November 15, 2001

Jeffrey C. Simpson

National Affairs Columnist, The Globe and Mail

"THE FRIENDLY DICTATORSHIP"

Chairman: **John C. Koopman**
2nd Vice-President, The Empire Club of Canada

Head Table Guests

Kevyn Nightingale, CA, FCA, President, International Tax Services Group and Director, The Empire Club of Canada; The Reverend Canon Paul Feheley, Rector, St. George's Anglican Church, Oshawa; Anton Vidgen, Student, Western Technical Commercial School and President, TDSB SuperCouncil; Douglas M. Gibson, President and Publisher, McClelland Stewart Ltd.; The Hon. David R. Peterson, PC, QC, Chairman and Senior Partner, Cassels Brock & Blackwell and Former Premier of Ontario; Robert J. Dechert, Partner, Gowling LaFleur & Henderson LLP and Past President, The Empire Club of Canada; The Hon. Barbara J. McDougall, CFA, PC, OC, President, The Canadian Institute of International Affairs and Former Secretary of State, External Affairs, Government of Canada; and Richard Addis, Editor, The Globe and Mail.

Introduction by John Koopman

Humbert Wolfe did not have such an exalted view of journalists. In "The Celestial City" he wrote:

"You cannot hope
To bribe or twist

Thank God! The
Canadian Journalist
But, seeing what
The man will do
Unbribed, there's
No occasion to."

Here at the Empire Club we look more favourably upon journalists. For the past 100 years the Empire Club has been welcoming leading journalists to our podium. Their number includes Sir John Willison a former Editor of The Globe (before it merged with The Mail), Grattan O'Leary then of the Ottawa Journal, Claude Ryan when he was Publisher of Le Devoir (and still a happy journalist), Charles Lynch then Ottawa Bureau Chief for Southam, Roy Megarry the then Publisher of The Globe and Mail, Hugh Sidey the then Washington Bureau Chief for Time Magazine, Joe Schlesinger and in 1967 Peter Jennings just back from an extended trip to Vietnam at the height of the war and the late Katherine Graham, the former Owner and Publisher of The Washington Post. We have had Allan Fotheringham twice, and this of course is your second visit to the club.

The Empire Club's attitude to journalists was best expressed on October 6, 1966 when Richard S. Malone, the Publisher of the Winnipeg Free Press, was our guest and in his introduction of Mr. Malone, our President Mr. Bredin Stapells said:

"Someday I will pass by the great gates of gold
and see a man pass through unquestioned and bold,
A saint? I'll ask, and old Peter'll reply:
'No he carries a pass—he's a newspaper guy.'"

It is hard to imagine today but at the close of the 18th and in the early part of the 19th century newspapers were insignificant actors on the public stage and the London Times actually printed the details of gruesome murders and more salacious sex crimes in Latin so that only the clergy and other educated citizens could read them. In Canada today however, we live in a government of men and morning newspapers... and your column and a coffee is a common breakfast staple for me and tens of thousands of other Canadians.

In reviewing your recent book, Jennifer Curtis wrote that you were a journalist morphing into an academic. I think she meant this kindly. She went on to say that your book is required reading for anyone who cares about the nation. The book apparently describes Jean Chrétien as the Sun King—the pivot around which all revolves. He describes both our parliamentary system and the Prime Minister as "imperial." I caution Mr. Simpson however that at the Empire

Club the word "imperial" is not typically used as a perjorative adjective.

During Catherine Charlton's presidency in 1984, and incidentally she is here with us today and was the first woman President of the Empire Club, she hosted Peter Worthington who said: "It is premature to write off the Liberals until the end of the century as some people do. Nothing is so resilient as a political party and no wound heals as quickly as political wounds."

I see Bob Dechert at the head table to my right and he certainly hopes that Worthington was right. Next to him I see Barbara McDougall, and she no doubt shares that hope. As for me, I have been a member of both their parties at one time or another and I am not so optimistic. To my left I see former Premier Peterson and I am sure he is thinking "What's the problem?"

Mr. Simpson is currently the National Affairs Columnist for The Globe and Mail, a position he has held since 1984. He has won a long list of literary awards such as the Governor General's Award for non-fiction, the National Magazine Award for political writing and the Hyman Solomon Award for Excellence in Public Policy. His columns have been published in an equally long list of well known and respected magazines and periodicals. He has also lectured at a number of great universities such as Oxford, Edinburgh, Harvard, Princeton, Brigham Young and John Hopkins—universities that I could not get into as a student.

Ladies and gentlemen, it is with great pleasure I welcome Mr. Jeffrey Simpson to the podium of The Empire Club of Canada.

Jeffrey Simpson

"The Friendly Dictatorship" is an admittedly pejorative title. After all, at least some Canadians would not describe the federal government as friendly. And Canada is not literally a dictatorship. We have various political parties, rights grounded in the common law and the Charter, and a free press.

But de facto, we have become a one-party state. An effective parliamentary system—and I would say a healthy democracy—has at least one party ready and capable of replacing the existing government by winning an election. Clearly, no party was ready and capable in the last election, and it does not look like one will be for the next one. Canada therefore increasingly resembles

Japan, where one party always exercises power, and political change only occurs when that party decides to switch leaders. At least they do that often in Japan; in Canada under the Jean Chrétien Liberals we don't.

Despite the pejorative title and arresting cover photograph, "The Friendly Dictatorship" is not a screed against Jean Chrétien and the Liberals. It is critical of them in certain areas, but it is more about how our system of government has evolved, and why Canadians are increasingly turned off that system.

The supporting evidence for that observation is mounting. The most obvious is Canadians' disinclination to vote. Only 61 per cent of those on the voters' list in 2000 bothered to cast ballots. That participation rate puts Canada near the bottom in terms of voter turnout in western democracies. Voter participation has been falling in many western democratic countries, but it has fallen farther and faster in Canada than anywhere else. Another obvious fact is the documented decline in respect for politicians of all stripes. They are now held in only slightly higher esteem than used-car salesmen. Parliament itself is regarded as an institution of national scorn, where MPs too often are seen to be conducting themselves like kids embroiled in a schoolyard fight. Ordinary MPs, reduced to partisan role-playing rather than genuine legislating, are frustrated with their lot and citizens are frustrated with them.

I believe our political system is out of balance, and because it is out of balance it is increasingly out of favour. A healthy system should have various objectives. It should be effective, in the sense of being capable of getting things done, but also democratic, transparent, accountable and representative. Our parliamentary system is certainly effective—a prime minister with a majority in Parliament can do anything he likes within that system, but the parliamentary system and the electoral system that supports it are failing on the other counts: democracy, transparency, accountability and representativeness. We need to find a better balance among these objectives. Let me explain.

Within the parliamentary system, as it has evolved in Canada, the prime minister is like a Sun King. He is all-powerful. The Canadian prime minister has more unfettered power within this system than any other leader in a democracy. Put another way, he faces fewer checks or balances to that power than any other leader. We think of our system as parliamentary government, but what we really have is prime ministerial government within the trappings of a parliamentary system.

Think of the prime minister's power. He appoints every person of importance in the entire Government of Canada: all the ministers and parliamentary secretaries, the deputy ministers, senators, the head of state (the Governor General), the chief justice of the Supreme Court, the head of the armed forces, the heads of all crown corporations (including the chair and president of the arms-length Canadian Broadcasting Corporation), the information commissioner, the privacy commissioner, the official languages commissioner, even the ethics counsellor, who is responsible not to Parliament but to the prime minister. The prime minister does not just nominate these people; he appoints them without anyone or any institution able to reject his selection.

No Canadian prime minister has ever been unseated by his party. All the rewards and penalties in his party are for loyalty. Dissidents pay a heavy price in terms of blunted ambitions, and in extreme cases banishment from the party. His advisers exercise more influence in Ottawa than any cabinet minister. The cabinet system and civil service are designed to give him more information than anyone else. He can, if necessary, command pollsters to give him quick snapshots of public opinion. He controls the apparatus of his political party. He has wrongly been described as primus inter pares, first among equals, but he is, in fact, first. There are no equals.

There are, in fact and in theory, checks to his power. But these are blunt, infrequent and often ineffective. The most diffuse check is that of public opinion. A government is always trying to measure where it stands in the public's eyes. These days almost no important government initiative is taken without extensive focus group study or polling, or both. A government that loses track of public opinion has to work hard at it. And the public really only gets to express itself every four or five years in a general election, the calling of which is entirely at the prime minister's discretion, another example of his unfettered power. He always tries to select the best timing for his electoral chances, and if that means calling an election well before he needs to in order to capitalise on favourable political winds, as Mr. Chrétien did in 2000, so be it.

Of course, the election is the supreme political test and the best chance for the public to express itself, but, as I shall argue in a moment, without an effective two-party system, the check of an election is more apparent than real.

As for Parliament itself, the fierce loyalty demanded of government MPs means that they can seldom demonstrate any dissent. Question Period is largely show, although sometimes a lively one that on occasion can put the government in a temporarily bad light. But that is all.

Critics scoff at the thesis of the imperial prime minister. They sniff, so what else is new? And they are right, up to a point. Power has always been largely centralised in the hands of the prime minister, but that a state of affairs has always prevailed does not by definition make it appropriate for contemporary realities. Moreover, prime ministerial power is now more centralised than ever, and the centralisation is out of step with the operating practices of other major institutions, the needs of modern government, and the expectations of citizens.

Hierarchical systems are increasingly out of favour elsewhere in modern societies. Private corporations now preach the gospel of flattening management structures, "inclusive" decision making, creating incentives at lower management levels. Command and control systems cannot maximise performance in large companies because they do not create sufficient positive incentives for employees to excel. Similarly, Canadians live and work in a society increasingly sceptical of hierarchy. We live in an age of a "decline of deference" towards all authority figures and established institutions. That is why Canadians look at the sharply hierarchical, command-and-control political system and say to themselves that it is neither what they are experiencing in their own lives, nor at least want to experience.

The system is out of whack with Canadians' expectations, but where can they turn? There is no coast-to-coast, coherent political alternative to the Liberals. Other parties may be strong in this region or that, but none can command sufficient support in enough places to defeat the Liberals.

The Liberals, whatever you think of them, cannot be blamed for the blunders of their adversaries. The most painful blunder is a misreading of Canadian history. A survey of that history reveals one abiding lesson: ideology fails. This is a diverse, essentially pragmatic country. Canada was, and remains, above all a political creation, an act of will that requires compromise and the art of making arrangements. What I call Procrustean politics—making the whole country fit a set of beliefs—has always failed. The only coalitions ever assembled to defeat the Liberals, or at least to create competitive party politics, have been pragmatic not ideological ones.

This is an apparently hard lesson to understand. The Bloc Quebecois, of course, has no interest in national politics, only the extension of provincial politics to the federal level. The NDP, alas, has been moving farther from the Canadian mainstream, and bids fair to move even farther. In the 1970s and 1980s, the NDP averaged 17–18 per cent in national elections; in the last three elections it has scored 9, 11 and 8 per cent of the votes. Roughly half, in other words, of what they used to secure. As long as the NDP does not follow the model of successful social democratic parties here and abroad, which have won by following the course of fiscal prudence and progressive social policies, but links arms with an array of interest groups, fails to understand and appreciate market economy and fights against globalisation, it will continue to be a marginal political force—to the great delight of the Liberals.

The Reform Party burst upon the political scene in the late 1980s as a combination of western protest and ideological conservatism. Its founders intended to break the mould of Canadian politics and create a new mould. They contributed to breaking the old mould all right by shattering the Conservative Party's coalition, and thereby contributed to creating a new mould called de facto Liberal Party rule. This surely was not what kind of new mould Reformers and Canadian Alliance members had in mind. But that is what has happened, not once but three times. After three failures to become a genuine national party—and after all the internecine struggles since the last defeat—the Alliance should recognise that Procrustean politics cannot work in Canada. As for the Conservatives, they have to recognise that the Reform Party did bring certain new ideas into Canadian politics that have some appeal; ideas that the Conservatives ignored when in office. The Conservatives have to recognise that they too are a rump party, with little support in important regions of Canada. Unless and until the Alliance and the Conservatives come together in a non-ideological union, neither will provide a serious threat to the governing Liberals.

Which brings us to voting turnout and the disengagement of Canadians from politics. In a healthy democracy, there is a periodic urge for change. In the last election, there were insufficient outlets for that urge. The Liberals did not change their leaders; none of the opposition parties could create a nation-wide challenge. That partly explains why voter turnout fell to such low levels. The interest in the last campaign was the lowest I had ever seen in my career as a journalist, and the turnout reflected that state of affairs.

But there is much more to the disengagement than a lack of competitive party politics. The Canadian political system is also deeply unrepresentative in three ways, and each creates a certain disillusionment. First, fewer than half the members of the House of Commons are elected with more than half the votes in their constituencies. Second, government majorities in the Commons are built with fewer than half the national votes cast. Third, the Senate, by being appointed instead of elected, fails to represent the regional interests in the country, especially of smaller provinces, and does not offer a check and balance to prime-ministerial power. These distortions all flow from the first-past-the-post voting system and the unrepresentative, unelected Senate.

There is another problem with representation, too. MPs whom we elect are obliged to follow the party line—all the time. They are not allowed to exercise their independent judgment, at least not publicly. They may do so privately with colleagues in caucus, but once they appear in public, they toe the party line. Poll after poll reveals that Canadians do not approve of such rigidity. Canadians know that not every issue is a matter central to the government's programme and should therefore be considered a matter of confidence. They know that issues are complex and often cut across party lines, the anti-terrorism example being a prime example.

We should not be naive. The major reason why MPs are elected is because of party label. They stand before us at election time, yes as individuals, but also as party members. We vote for them, if voting studies can be believed, usually because they represent a leader, a team or a general view of the country's challenges with proposed solutions. It would be illogical, and frankly undemocratic, if having been elected as a party member the MP then turned around and exercised complete discretion to vote on everything as he or she saw fit. But conversely it strikes Canadians as somewhat silly that so little discretion exists for independent judgment, because that is not how they would like to live their lives or operate in their work environments.

These unrepresentative elements of our system make people feel the system does not reflect them. The majority of voters in a constituency who did not support the winning candidate must find it strange when the MP claims to speak for the people of his constituency. In Western Canada, people are frustrated that the preferences of vote-rich Ontario and Quebec overwhelm their own, and that breeds what is called western alienation, especially since there is no upper house that might mitigate the strength of Central Canada.

Disengagement springs from other sources too, some of them very deep. We now have a Charter of Rights and Freedoms which has vastly increased the power of the Supreme Court. People look to the courts rather than the political process as the venue for their political struggles. The size of government has shrunk, thereby taking certain issues out of the public domain. Governments have signed international agreements, notably in trade, that tie the hands of government. Governments that are smaller and more fettered than before are institutions perhaps not worthy of as much interest. Curiously, this disengagement is happening as the population is getting older, since older people tend to vote more often than younger ones. An aging population should be pushing up voter turnout, but it has not.

So what is to be done to make the system more representative, democratic, accountable and transparent, while retaining its virtue of being effective? How can we try to re-engage Canadians in their political process? I do not have all the answers by any stretch of the imagination.

Competitive party politics are indispensable, and that means, as I said, people on the right and left of the political spectrum recognising that they have to fit their policies to the complexities of the country, rather than squeezing those complexities into ideology. If they do not move towards mainstream Canadians, they will remain with influence but without power.

A change in attitudes would also help, especially in respecting Parliament and the capacity of MPs to periodically be seen to exercise their independent judgment.

And we need to improve the representativeness of our political system. We could change the voting for the Commons by instituting the Australian ballot that would ensure that every MP receives at least a majority of votes. Instead of voting for just one candidate, voters would list their candidates in order of preference. If none receives half the votes, the second preferences of the lowest candidate would be redistributed, a process that would continue until someone gets half the votes.

We also need an elected Senate. Canada is the only federation in the world without an upper house that is elected or appointed by the states or provinces. The Fathers of Confederation made one big mistake by opting for an appointed Senate. It lacks legitimacy, does not represent the regional dimensions of Canada, and does not provide a check or balance against the power of the prime minister.

Senate reform would require constitutional change, and we know how difficult that reform is in Canada. Ideally, I would like to see a Senate elected on proportional representation so that the maximum expression of diversity in each province could be reflected in the Senate. The Senate should be weighted in seats towards smaller provinces. In the event of a standoff between the House of Commons and Senate, it would be broken by a joint vote of both houses. Since constitutional reform might be a while in coming, I would encourage provinces to hold senatorial elections and dare the prime minister of the day not to appoint those elected. We have to start somewhere in moving towards an elected Senate, just as the Americans did in the last century when some states began to hold elections instead of legislatures appointing senators.

I would also like to see a new way of financing political parties, eliminating corporate and union contributions that give certain individuals or interests a disproportionate influence over politicians. Quebec and Manitoba have already done this; the rest of Canada could usefully follow.

Canada's democracy is not a wreck. It could stand, however, plenty of improvement. Canadians are cynical about politicians and the democratic process, and some of that cynicism is well founded. My experience over a quarter of a century writing about politicians suggests, however, that the majority of men and women in politics is no more or less worthy than any other cross section of Canadians. There are scoundrels to be sure, and politics, as other occupations, attracts an assortment of decidedly second- or third-rate minds. There are careerists for whom it is hard to imagine another line of profitable work. There are blowhards and those for whom the elixir of power goes to their heads. But circles of the eternally virtuous exist only in heaven.

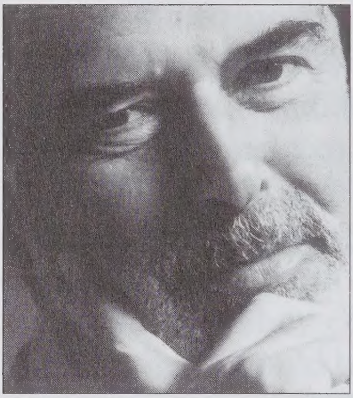
We do ourselves a disservice by denigrating all politicians as a national sport. We ought to be vigilant in monitoring them. Happily, Canadians have developed a nicely satirical brand of humour about politics that prevents people in public life from getting too big for their britches. We ought to get angry when they screw up, but we ought also to give credit when they do things right—which they do. We need not venerate them, but neither should we hack them apart. A humbling question for cynics is whether they could do any better; more humbling still, for them, would be their replies.

Politicians come, after all, from among us. They are our representatives, although we could reform our electoral system and governing institutions to make them more representative. If we give up on them, we are in effect giving up on ourselves, or at least on a part of the democratic belief that we can make a better country through the institutions of government. Citizens will always disagree about what would constitute a better country, and how to achieve it. That is the essence of democracy. The more effective, accountable, open and representative our democracy, the greater the chance that, through the clash of ideas and the interplay of political forces, we can inch, however slowly, toward that better country.

Concerns for democracy are really concerns for Canada. Citizens can contribute to a better country—and a better life for themselves and families—in a myriad of ways that do not involve politics. No institution, however, plays such a central role in defining society's values and priorities as does government. The institutions of government are our institutions, as citizens and taxpayers. The electoral system is our system, as citizens and voters. If we care enough about those institutions and that system, we can change them and so improve the functioning of our democracy. Apathy and cynicism are soulmates. They are on the rise, but they are democracy's foes and, as such, worth combating.

The appreciation of the meeting was expressed by Kevyn Nightingale, CA, FCA, President, International Tax Services Group and Director, The Empire Club of Canada.

Lillian Seymour, Tony van Straubenzee, Managing Director, Russell Reynolds Associates and Past President, The Empire Club of Canada and Nona Macdonald Heaslip, Vice-President, Theatre Museum Corporation, Former Board Member, Shaw Festival and Banff Centre for the Arts and Past President, The Empire Club of Canada.



November 22, 2001

Peter Herrndorff

Director General and Chief Executive Officer, National Arts Centre, Ottawa

THE MASSEY COMMISSION AT 50: DO NATIONAL CULTURAL INSTITUTIONS MATTER?

Chairman: **Bill Laidlaw**
President, The Empire Club of Canada

Head Table Guests

Sharon Rudy, Vice-President, Spencer Stuart and Director, The Empire Club of Canada; Alda Escareno, Grade 12 Student, Western Technical Commercial School and Volunteer, Art Gallery of Ontario; The Reverend Bill Middleton, Armour Heights Presbyterian Church; Phillip Crawley, President and CEO, The Globe and Mail; William J.S. Boyle, CEO, Harbourfront Centre; Isabel Bassett, Chair and CEO, TV Ontario; John Brotman, Executive Director, Ontario Arts Council; Nona Macdonald Heaslip, Vice-President, Theatre Museum Corporation and Former Board Member, Shaw Festival and Banff Centre for the Arts and Past President, The Empire Club of Canada; David Silcox, Vice-President and Managing Director, Sotheby's Canada, Chair, Canadian Artists and Producers Professional Relations Tribunal and Senior Fellow, Massey College; Penny Collenette, Attorney and Vice-President, Chairman's Office, George Weston Limited; and Michael MacMillan, CEO, Alliance Atlantis Communications.

Introduction by Bill Laidlaw

I believe many Canadians are realising everyday what a fine country we have with its long history of being a nation that has many cultures and prides itself in the many talents those cultures bring.

Working to manage our cultural talents and to report on them are a number of very talented men and women. Over the years we have known many and all of them have enriched our lives tremendously.

In these days of constant stress and worry with our focus on world events and the aftermath of September 11, we sometimes forget about the challenges that face our cultural institutions and those organisations charged with reporting on them and communicating them to Canadian audiences.

We are fortunate today to have one of the legends of Canadian culture and journalism. His career reads like the character out of the Tolkien novel, "Lord of the Rings" as he goes from challenge to challenge in search of the ring. As he hears this analogy he may see more similarities to the novel and his life than he first thought. He has brought enormous change and success to wherever he has been and all of those organisations have been richer for his being there.

He began his journalism career in 1965 when he joined the CBC as an editor and reporter in the newsroom. He later moved to CBC Edmonton as a current affairs producer eventually coming to Toronto in 1967 to produce the current affairs series "The Way It Is."

Throughout 1974–1977, Herrndorf served as Head of TV Current Affairs programming. During this period he was instrumental in the development of such network series as "The Fifth Estate," "The Canadian Establishment," and "90 Minutes Live." He was also responsible for the Emmy award-winning documentary "Henry Ford's America."

In 1979 he became Vice-President and General Manager of CBC's English-language radio and television networks. Under his leadership the CBC initiated its major move of "The National News" to 10 o'clock and the introduction of the public affairs programme "The Journal."

Peter left the CBC in 1983 to become publisher of Toronto Life magazine. Under his guidance the magazine achieved record earnings and was selected twice as Canada's magazine of the year in 1986 and again in 1990.

In recognition of his contribution to the magazine industry, he was presented with the American City and Regional Magazine Association lifetime achievement award in 1994.

Peter moved on from Toronto Life to become Chairman and CEO of TV Ontario and spent much of the 90s in that role before stepping down in 1999. While at TV Ontario he dramatically increased audience levels and made improvements in network programming.

Peter is currently the Director General and CEO of the National Arts Centre in Ottawa, a position he has held since 1999.

Throughout his career Peter has received numerous achievement awards and tributes for his dedication to the industry. He was recently awarded the Diplôme d'honneur by the Canadian Conference of the Arts. It is an award that is presented annually to an individual for outstanding service to the arts in Canada.

Peter is active in a wide range of community and industry activities and he serves on a variety of boards and foundations.

His academic achievements include a law degree from Dalhousie University and a Masters degree in Business Administration from Harvard Business School. He has received honorary doctor of law degrees from York, Winnipeg, and Dalhousie Universities.

Peter Herrndorff

Thank you very much for your kind introduction Bill and good afternoon, ladies and gentlemen.

I want to begin by saying how much I appreciate the invitation to speak to The Empire Club of Canada today. I think of the Empire Club as one of Canada's great institutions—one of those institutions that's essential to the intellectual and political life of the country.

And it won't surprise any of you to hear that I believe that the National Arts Centre (NAC) falls into the same category—a national institution that's essential to the cultural and educational life of the country.

The National Arts Centre was created by an Act of Parliament during the heady days of our centennial celebrations, and its mandate has always been unique. We present the full range of the performing arts—classical music, theatre, opera, dance and variety—and we operate in both official languages. Our goal is to be Canada's preeminent showcase for the performing arts, but we're equally committed to providing ongoing support for artists and arts organisations in communities across Canada.

It's a bold vision, not a timid one. The kind of vision you'd want from an organisation that's expected to represent the very best in the performing arts in Canada.

After some difficulties in the 1990s, I'm happy to report that the NAC is going through one of the most exciting periods in its history. We have an exceptional artistic leadership team, led by the renowned violinist, Pinchas Zukerman, two of North America's most innovative theatre directors, Marti Maraden and Denis Marleau, and a highly imaginative producer of dance programming, Cathy Levy; we've embarked on an ambitious national youth and education programme, which is training Canada's most talented young artists and helping to introduce students across the country to the performing arts; and we're collaborating creatively with many of the best arts organisations in Canada—the Vancouver Playhouse; the Citadel Theatre and the Banff Centre in Alberta; the Royal Winnipeg Ballet; Soulpepper, Tarragon and the Canadian Stage Company in Toronto; Opera Lyra in Ottawa; La La La Human Steps and the Montreal Symphony in Montreal; and the Confederation Centre in Charlottetown, to mention just a few.

But as much as I'd like to spend my time this afternoon telling you about the National Arts Centre, I'm going to resist that temptation. Instead, on this fiftieth anniversary year of the Massey-Levesque Report, a report that's often been described as the Magna Carta of Canadian cultural life, I want to talk about the remarkable impact that Canadian artists are having on the world around them.

Let me start by telling you a little about the Massey-Levesque Report and the Canadian cultural revolution that it spawned.

The Massey-Levesque Report was a royal commission initiated by Prime Minister Louis St. Laurent in 1949, and the members of the royal commission, led by Vincent Massey, conducted the broadest investigation of the state of the arts, letters and sciences in Canada ever done.

They held 114 public meetings throughout Canada and more than 1,200 witnesses appeared.

Their report was published in 1951, and the reverberations are still being felt. The report described a litany of problems facing the arts in Canada in the post-war period—artists couldn't earn a decent living in Canada, they argued. The country relied almost entirely on touring foreign companies for performing arts productions. And few books were being published in Canada.

They challenged conventional wisdom even more fundamentally when at the beginning of the Cold War, they questioned the purpose of elaborate national defence strategies if, as a nation, we weren't clear about the values that we were defending.

Their prescription was also far-reaching. They argued that Canadian culture played a critically important role in our nation building, and that the federal government had a clear obligation to nourish Canada's intellectual and cultural life. Let me quote a paragraph from the report that is typical in its directness:

"The second essential is money. If we in Canada are to have a more plentiful and better cultural fare, we must pay for it. Goodwill alone can do little for a starving plant; if the cultural life of Canada is anaemic, it must be nourished, and this will cost money."

Most of that money, they suggested, should come from the three levels of government.

The Report went on to make a powerful and persuasive case for the creation of a national "arms length" funding agency for the arts, a recommendation which led almost immediately to the establishment of the Canada Council; the Report argued for the creation of a National Library; it supported the launch of CBC Television which occurred the following year; and without question, Vincent Massey and his colleagues provided the cultural framework that led to the emergence of several generations of gifted, innovative and fiercely independent Canadian artists.

Today, 50 years later, we're in an enviable position. There's more artistic talent and more creativity in this country than at any time in our history. Our artists have the skill, the imagination and the commitment to create powerful and original work, and they have the drive and energy to compete with the very best in the world.

Our artists are arguably Canada's most important "export" product and they symbolise Canada for much of the world. When you go on your next international trip, ask the people you meet what they know about Canada. People in Europe, in Asia or in South America will probably tell you that they've never heard of most of our politicians, our business leaders, or even our hockey players. But I suspect that they'll tell you that the individuals who really define Canada for them are almost always our artists—artists from a wide range of disciplines.

Take literature for example. For years, Alistair MacLeod's stunning short stories have been Canada's best-kept secret. But since his first novel "No Great Mischief" won the International Impac Dublin Literary Award—the world's richest literary prize—he's a huge star. He joins such other internationally acclaimed Canadian writers as Margaret Atwood, who won last year's Booker Prize for "The Blind Assassin"; Michael Ondaatje, who became a literary cult figure after "The English Patient"; and Carol Shields, who continues to delight readers around the globe.

And just last Wednesday, the New York Times devoted a significant part of its arts section to exploring the narrative landscape of three wonderful Canadian writers—Richard Wright, Dennis Bock and Jane Urquhart. It was a clear sign of how much "can lit" has become an international household word.

What about theatre? Director Robert Lepage regularly stages new productions around the globe. Stratford and

Shaw continue to set the standard for the classics in North America. And Cirque du Soleil has created a new theatrical art form, by completely reworking our ideas about circus. They started out performing acrobatics in communities across Quebec and Ontario. Now you can take in their multimedia shows when you go to Las Vegas, Disney World, or the Far East.

Last week, the NAC's Denis Marleau opened his new play in Paris to rave reviews in "Le Figaro," and Louise Pitre is generating the same kind of notices in the smash Broadway hit "Mamma Mia."

And in music? Well, Diana Krall is the best-known jazz singer in the world. Shania Twain and Terry Clark have cornered the market in country music. Sara McLachlan and Alanis Morissette have done the same in alternative rock.

And in most parts of the world, people line up for blocks to see a Robert Carsen opera, to attend a Ben Heppner performance, or to hear a Céline Dion, Leonard Cohen or Oscar Peterson concert. And Americans are just beginning to discover the blandishments of The Barenaked Ladies.

Take our filmmakers. For years, we've been making a splash at the Cannes Film Festival for our creativity and innovation. David Cronenberg did it with his unique brand of the cerebral and the quirky in movies like "Crash" and "The Fly." Atom Egoyan was the next to make an impact at Cannes with his evocative and idiosyncratic films like "The Sweet Hereafter" and "Felicia's Journey." And this year, Inuit filmmaker, Zacharias Kunuk, won the best first film award at Cannes for "The Fast Runner," shot with a cast of Inuit people on Baffin Island.

What about comedy? I only have to mention one name to get a debate going between the generations—Tom Green. Love him or hate him, but you have to admit that his madcap energy and creativity is having an impact on the world of comedy. How about some of the others—Jim

Carrey, Martin Short, Dan Ackroyd and Lorne Michaels and his wonderful group of Canadian writers from "Saturday Night Live." The cast of "This Hour Has Twenty Two Minutes" and the "Royal Canadian Air Farce." And of course, Mike Myers. We can only guess at how many people around the world continue to regale their friends with their best Austin Powers imitations.

If we had a little more time, I'd love to talk about some of our other arts disciplines. We have great dance companies like the National Ballet and Marie Chouinard in Montreal and despite their current financial difficulties, we have superb orchestras and composers. We're fortunate to have both the Canadian Opera Company and Tapestry in this city, each of them bringing originality and great professionalism to the stage. We have exceptional visual artists and a number of internationally acclaimed galleries and museums across the country.

We've also produced some of the great cultural impresarios in North America: Moses Znaimer, who's completely redefined the concept of local television over the past 20 years; Mark Starowicz of the CBC, who instinctively understood that millions of Canadians would watch hours of television about Canadian history; Garth Drabinsky, who's brought such passion and showmanship to the theatre; Robert Lantos, who makes films that matter and make money; and David Mirvish, who proves year in, year out, that Canadian commercial theatre can be both successful and adventurous.

My point in all of this is that we live in an amazing time for creativity in Canada and all of us should be very proud of that.

The artists and the arts organisations that I've mentioned all have several important characteristics in common. They had the audacity to dream big dreams. They've had the courage to pursue those dreams. And they've had the tenacity to keep going until those dreams came true.

I should really end my remarks on that note of triumph. A kind of David and Goliath story with Canada winning in the end.

But it's not an accurate picture, and I have to conclude with one significant caveat. The arts in Canada may have been a great success story over the past 50 years but in the difficult and uncertain days ahead, we need your help more than ever.

We need a clear signal from all levels of government across the country that even in tough times they recognise the importance of the arts and the benefits of a strong and vibrant Canadian culture.

Even in tough times, we need ongoing government support for our key arts organisations and for our most promising young artists.

And even if the TSE isn't performing very well these days, we need increased levels of philanthropic support for the arts from the individuals and corporations that flourished in Canada over the past decade. We need, as well, a willingness on the part of federal tax officials to make increased charitable contributions more attractive to the donor or, at the very least, as attractive as it is in the United States.

Despite the concerns about the economic downturn, we need your support as patrons in concert halls, theatres, galleries, museums and bookstores. The arts community, in turn, will promise to "make it worth your while."

And most of all, we need you to take a real sense of pride in the extraordinary achievements of our artists. They symbolise, in many ways, the changing character of this country—more dynamic, more adventurous, and more of a player on the international stage.

They deserve your admiration and they deserve your enthusiastic support.

Thank you very much.

The appreciation of the meeting was expressed by Nona Macdonald Heaslip, Vice-President, Theatre Museum Corporation and Former Board Member, Shaw Festival and Banff Centre for the Arts and Past President, The Empire Club of Canada.

Peter Herrndorf, Director General and CEO, National Arts Centre, Ottawa, Alda Escareno, Grade 12 Student, Western Technical-Commercial School and Volunteer, Art Gallery of Ontario and Penny Collenette, Attorney, Vice-President, Chairman's Office, George Weston Limited.

November 29, 2001

Rod McQueen

Author

"CAN'T BUY ME LOVE: HOW MARTHA BILLES MADE CANADIAN TIRE HERS"

Chairman: **Bill Laidlaw**
President, The Empire Club of Canada

Head Table Guests

Ken Shaw, National Editor, CFTO Television and Director, The Empire Club of Canada; The Reverend Dr. John Niles, Victoria Park United Church and Director, The Empire Club of Canada; Stephen LeDrew, Lawyer, LeDrew Laishley Reed and President, Liberal Party of Canada; Peter Worthington, Editorial Writer and Columnist, The Toronto Sun; Jack Stoddard, OC, Chairman, Stoddart Publishing Company Ltd.; George D. Anderson, President and CEO, Insurance Bureau of Canada and Director, The Empire Club of Canada; Julie K. Hannaford, Partner, Borden Ladner Gervais LLP and Past President, The Empire Club of Canada; Angela Ferrante, Senior Vice-President, Corporate Communications, Bank of Montreal; and Derek Burney, OC, President and CEO, C.A.E. Inc.

Introduction by Bill Laidlaw

I enjoy reading biographies of any individual who has left a mark on my life. I particularly enjoy those dealing with business or political figures. Reading about such people provides me with a window into their lives and allows me to view a life that I otherwise would not have been able to.

In Canada we have had the good fortune of having many individuals and organisations featured in our bookstores. These have provided us with many hours of enjoyable reading. Our guest today has been the author of many of these books, and I have had the good fortune of having read all of them.

I am fortunate that I have not been written about, but as they say my life is still in progress and who knows!

Rod McQueen was born in Guelph, Ontario. He obtained an Honours English Language degree from the University of Western Ontario in 1967. He then worked as a general reporter for the London Free Press until 1970 when he became press secretary to Robert Stanfield, leader of the Progressive Conservative Party.

In 1978 Rod joined Macleans Magazine as business editor and was quickly named managing editor of the publication in 1979. In 1982 he became a freelance writer as well as broadcaster, his work appearing in most major Canadian as well as several U.S. and British publications.

He spent a few years in London, England in the late 80s and acted as bureau chief for The Financial Post in Washington before returning to Toronto where he spent three years as a columnist and senior writer at The National Post.

Rod has received numerous awards for his writing including the National Business Book Award for "Who killed Confederation Life? The Inside Story" and the Canadian Authors Association Award in History for "The Eatons: Rise and Fall of Canada's Royal Family."

His most recent book, "Can't Buy Me Love: How Martha Billes Made Canadian Tire Hers," was published in October of this year.

Today we will hear about this book and the individual featured in it. We are very pleased to have as our guest today—Rod McQueen.

Rod McQueen

It's an honour to be invited to speak at the Empire Club, the same podium that since 1903 has welcomed heads of state and government, as well as so many leaders in matters spiritual and temporal.

The head table was introduced earlier but I want to recognise one other person who's here today—Sandy—my wife, high-school sweetheart, and the creative mind who came up with the title for the book, "Can't Buy Me Love."

This biography of Martha Billes is a story about love and ambition and how the two cannot always coexist. As controlling shareholder of Canadian Tire, Martha Billes oversees a huge national empire with 441 stores, 206 service stations, 38,000 employees, and $5.2 billion in annual revenue. Her holdings in the company are worth about $100 million, and by my estimate there's another $25 million to $50 million invested elsewhere, making her one of the 10 wealthiest women in Canada.

Tire, as Martha likes to call it (not Canadian Tire or The Tire) is the country's most shopped retailer. Ninety per cent of Canadians live within a 15-minute drive of a Canadian Tire store, each month 60 per cent of all adults buy at least one of the 100,000 items on their shelves, and the catalogue was delivered to 10 million households last year.

My curiosity about Martha was first piqued more than two years ago when I interviewed her for a newspaper feature about the 50 most powerful women in Canada. Martha was ranked third and struck me at the time as one of the most complex people, male or female, I'd ever encountered during my 25 years in journalism. Beneath the self-assured shell there was a strangely shy demeanour and the promise of multiple mysterious layers. I wanted to find out more.

There had previously been a book written about the Billes family, but it had been published in 1989. Since then Martha had bought out her two brothers and the story of her life had never been fully told.

And what a story it turned out to be. After all, Martha was not a woman who had easily inherited either her wealth or her power. She'd fought her way to the top against all odds, doing battle with her father, her brothers, two ex-husbands, numerous lovers, a posse of regulators, and a sexist society. The company she now commands is a most unlikely place for female leadership: a macho paradise of auto parts and lube jobs.

Intrigued, I researched the company, pored through archives, interviewed friends, business associates, dealers, directors, presidents past and present. I also interviewed her two former husbands, her two brothers and her son, none of whom had ever been interviewed at length before.

What I found was a woman who turned 61 this past September and as such belongs to a generation of women who were not supposed to work. They were meant to attend school, find a man, get married, and settle down to raise a family.

You can see her picture on the cover of the book and there are more photos inside in a 16-page section, but let me describe her for you. At 5 foot 11 she is taller than average for a woman and serious of manner, as if being Martha Billes isn't easy. Her icy blue eyes suggest a wary woman who trusts no one at first, and only a few people over time. She is both shy and determined; ambitious but lacking in self-confidence.

Her translucent skin, lightly peppered with freckles, remains her most transfixing feature. Many a man wrongly believed he could see inside to her very soul. In fact, Martha had in the past revealed so little of herself and her motives that she might as well have been masked.

Here's a quick sketch of her life: Born in Toronto to Muriel and A.J. Billes, who, along with his brother founded Canadian Tire in the 1920s. Martha was the youngest child and had two older brothers, Fred and David. As a youngster, she was, shall we say, obstreperous. Her father called her the "little red-haired devil."

Her brother Fred is equally explicit: "Martha was a heller from day one to the present time. She's just a heller, simple as that. She makes up stories. She gets the other kids in trouble as much as possible. She breaks things and blames the other kids."

David, the middle child, told me how when the family travelled by car and the three kids were in the back seat, his mother would put him in the middle. David was supposed to provide the buffer between Fred and Martha. Said David: "My mother told me I was a diplomat, and that's what I had to be. My brother and sister clashed their whole lives. If one is black, the other's white. If one is red, the other's green."

Even Martha will admit to being a bit of a rebel while she grew up learning about the tools being used by a father and two brothers. "I certainly knew what a monkey wrench was," said Martha, "because they always told me I put the monkey into everything."

All that noisy activity was just a masquerade. Martha didn't seem to fit anywhere. At home, she was very much in a male environment where women were regarded as lesser beings. Martha attended Forest Hill Collegiate, a high school that was at the time three-quarters Jewish. As one of the few Gentiles, she had problems connecting with her classmates. Even the jobs the three siblings held as teenagers were unfairly handed out. The boys were regarded as heirs presumptive; they had the good jobs that paid top dollar. Martha was relegated to the switchboard and the steno pool.

After graduating from high school in 1959, Martha was interested in pursing science research but women didn't get to choose their career path in those days. Nursing, teaching, or home economics were all that was allowed, so she attended Macdonald Institute in Guelph for a degree in household science.

The family money was another reason that she became a loner who was embittered and embattled. Her father became a millionaire in the 1940s, back when that amount of money meant something. As a result, Martha couldn't tell if people liked her for her wealth, or liked her for herself. That dilemma, what people really thought of her, would dog her all her days. At Macdonald Institute, for example, she was one of the few students who owned a car. Every weekend she'd go home to Toronto. If anyone wanted a ride, she'd charge him or her for the trip. Martha knew the exact cost of busfare between the two cities and would assess her schoolmates just slightly less. Her belief was that if they were willing to pay, they must really want to go.

I interviewed Nancy Kerr, the woman who was her roommate for three of the four years they were at Macdonald Institute. Despite all that time together, Kerr never really warmed to Martha. "We used to take turns cleaning the room," said Kerr. "I never cleaned the room to her satisfaction. We weren't soul mates. I had other friends at Guelph that I was much closer to. She meant well and she probably didn't understand why she didn't have more buddies."

After graduation, Martha taught school for a while because she was frozen out of the family business. Fred and David went on the board of directors in the mid-1960s; Fred even got a dealership. Her father's proposal for Martha's involvement was for her to work as a dietician in the company cafeteria, an idea that galls Martha to this day.

"I was very, very much missing," she told me. "I was just ignored." Martha began investing on her own and then in 1978 fled the shadow of her father and moved to Calgary to prove herself in business as an investor in oil and gas. She succeeded and finally, in 1980, she was made a director at Canadian Tire.

In 1986 Martha briefly became notorious when she and her brothers feuded over a takeover attempt at Canadian Tire. She was summoned to appear before the Ontario Securities Commission, was castigated for greedy behaviour, and promptly withdrew from sight.

Martha then launched an intricate plan to buy out her brothers, a plan that included suing her own brothers, a plan that took more than a decade to carry out, and much of the book is about how she achieved her goal.

I won't go into the detail of that plan today, but I will say that her single-mindedness was both a strength and a weakness. Her patience and persistence meant success was eventually possible, but her inability to involve others or take into account their views eventually drove everyone away. Said her second husband, Dennis: "If you don't do what she wants to do, then you're in trouble." More than a decade after their divorce, Martha is still pursuing Dennis through various court proceedings.

Brother Fred, now a tax refugee living in the Cayman Islands, concurs: "If you can't get your way one way, you get your way another way. You get your way; that's the big thing; get your way. We never learned how to deal with her—nor did her first husband, nor her second husband, nor her various boyfriends, nor her son." Martha and her two brothers rarely see each other today.

Martha would be mystified by these negative views from the men in her life. As far as she's concerned, what she has accomplished has been in everyone's best interest. Here's what she has said about the need to preserve Canadian Tire: "If you had this wonderful hen that keeps laying golden eggs for you and for other people, don't you want to keep her alive and in the best possible condition?" Canadian Tire dealers would certainly agree. They're all millionaires and earn, in total, about $200 million a year, the same as the entire company makes in profits and seven times what shareholders are paid in annual dividends. As Churchill would say: "Some chicken, some neck."

If Martha Billes were cast in a movie she would be Joan Crawford in Mildred Pierce, all high cheekbones, flashing eyes, and firm practicality. The parallel goes beyond their looks to the kind of life the two women led. In that 1945 film classic, Mildred Pierce is at first the housewife, kept slaving in the kitchen by a lout of a husband whom she finally kicks out. Pierce goes into business, running a chain of restaurants to gain her independence. Her choice for a second husband turns out to be no better than the first. All he wants is her money and the lifestyle that comes with success. As with Mildred, Martha possesses both money and moxie, but she has never been able to figure out if a man loves her for her fortune or for herself. After all, relationships are all about how another person makes you feel. If a man can make a woman feel intelligent, loved, and desired, she is fulfilled. If he cannot, she falls apart.

Martha comes to every relationship haunted by her last failed alliance. Her father tried to keep her down and so did her brothers. The husbands she chose were lesser lights whom she thought she could control. Once she realised they were second-rate, she turned on them for their flaws and became angry that she had sold herself short. Again.

Martha's inability to remain emotionally committed is a trait more normally associated with powerful men. The classic type-A male chief executive never gives a second thought to working 100 hours a week and abandoning his family for days on end when a deal is in the works. For such a man, divorce, affairs, and lawsuits are not unusual. If Martha Billes were a man, she would go about her business life unobserved. And that may say more about our society that it does about her.

For most of the twentieth century the only way a woman could assume control of a business in Canada was through the death of a husband. In 1939 Muriel Richardson stepped in at Winnipeg-based James Richardson & Sons Ltd. after her husband died. Mrs. Richardson ran the company for 27 years, overseeing expansion in the securities business, grain elevators, and pipelines. Wendy McDonald took over B.C. Bearings

Group of Burnaby, British Columbia, following her husband's death in 1952. She outlived two more husbands and brought five children into the business, before retiring in 2000. Jeannine Guillevin became head of her late husband's Montreal electrical distribution company in 1965 when annual sales were just a few million dollars. She sold the business 30 years later, having achieved annual sales of $500 million.

In the four years since 1997 when Martha Billes bought out her brothers, daughters have begun to inherit businesses from their fathers. Ron Southern anointed Nancy at ATCO Ltd. of Edmonton, Frank Stronach gave way to Belinda at Magna International Inc. in Aurora, Ont., and Linda Hasenfratz is succeeding her father at Linamar Corp. in Guelph, Ont.

In one instance the daughter beat out a brother, but none of these women fought their brothers as fiercely as Martha did to win the prize. Moreover, Martha's father was dead when she took over; he had neither groomed her for the role nor passed the mantle along to her while he was still alive. In comparison with the other two groups—widows and daughters—Martha is unique. She may be a difficult woman to like, but she is easy to admire.

Martha differs from other senior businesswomen in another important dimension. An increasing number of female executives have been able to achieve success because they have unusually supportive husbands. Linda Cook's spouse gave up his job as a gas trader to stay home with their three children so she could become chief executive officer of Shell Oil and Gas. Twenty years ago, when Carly Fiorina met her husband-to-be, he said: "You're going to run a big company some day, and I'm going to help you get there." Fiorina became president and chief executive officer of Hewlett-Packard in 1998. Martha has enjoyed no such constant support.

Indeed, Martha often seems to be the cause of her own troubles. Earlier this month, the judge ruled in her Calgary lawsuit against Paul McAteer, her former lover and business partner. During the six-week trial held in the spring of 2000, their intertwined personal and professional relationships had been laid bare for all to see, seamy side and all. She had been introduced to McAteer in 1990, invested $3 million in his business, and fell in love with him. He divorced his wife of 20 years and it looked as if he would marry Martha. In fact, there was even an engagement party scheduled at her place on Lake Simcoe, but shortly after the invitations went out, the wedding was called off. Martha was left standing alone in front of 200 guests, holding one of her beloved Lakeland terriers with nothing to announce.

The trial itself was right in keeping with Martha's character. She could have settled the matter out of court in advance but she chose not to. That's because Martha needs to win and she needs to win at any cost, even to herself. And the costs were great. McAteer has few assets, so Martha is on the hook for payments that the court ordered should go to McAteer's ex-wife. Most of the money that's supposed to flow Martha's way looks unlikely ever to arrive. On top of that, the trust fund of Martha's son Owen is out $1.2 million—plus she has her legals, likely in excess of $1 million.

As for Martha's beloved Tire, the way ahead is murky. So far, the company has survived the onslaught of American competitors such as Wal-Mart and Home Depot, but for how much longer? In 1999, Martha and the board told Tire's chief executive officer, Steve Bachand, that the company needed a new vision. Bachand disagreed, saying that Tire should continue to focus on improving the core business through its well-established renovate-and-build plan. Martha and the board said that wasn't good enough and Bachand resigned.

Two years later, Tire has a new CEO, Wayne Sales, the man who had been Bachand's number two. The company spent months working with consultants at McKinsey, and this fall announced its new strategy: build new outlets, renovate and expand old ones and improve service in the stores. The plan sounds a great deal like what Bachand had proposed. That's a lot of running just to stay in the same place.

As for Martha, she has spent her life struggling to get what she thought she wanted, that which she believed to be her due. With that goal accomplished, she now has to adjust her sights, on both a personal level and on a business level. She knows it won't be easy. "A lot of my life has been put before me," she said. "There were things that happened. There was a progression because of where I grew up, who I was, people around me, and what happened to them. [I have to] create the next goal for myself. It's a bit of a challenge."

Martha has said that she wants the words on her tombstone to read: "Nothing ventured, nothing gained." As a summation of her life, it's a fitting phrase.

After all, what's the rush? Maybe personal happiness and corporate strategy can wait a while as Martha revels in reaching her chosen destination. When her brother Fred visited the main store at age five, he raced through the aisles, shouting, "It's mine." Now, Martha can now say at 61: "It's mine."

Thank you very much.

The appreciation of the meeting was expressed by Ken Shaw, National Editor, CFTO Television and Director, The Empire Club of Canada.

December 6, 2001

Rex Murphy

Writer and Broadcaster, CBC

CANADA AFTER SEPTEMBER 11

Chairman: **Bill Laidlaw**
President, The Empire Club of Canada

Head Table Guests

John A. MacNaughton, President and CEO, The CPP Investment Board and Past President, The Empire Club of Canada; Peter Ashton, Senior Student, Parkdale Collegiate Institute; The Reverend Kim Beard, BA, BEd, MDiv, Christ Church, Brampton; Anna Porter, Publisher and Chief Operating Officer, Key Porter Books; The Hon. David R. Peterson, PC, QC, Chairman and Senior Partner, Cassels Brock & Blackwell and Former Premier of the Province of Ontario; The Hon. Henry N.R. Jackman, CM, KStJ, OOnt, BA, LLB, LLD, Chairman and President, E-L Financial Corporation Ltd. and Past President, The Empire Club of Canada; Bart J. Mindszenthy, APR, FCPRS, Partner, Mindszenthy & Roberts Communications Counsel and Director, The Empire Club of Canada; Ethan Murphy, Student, Dennis O'Connor High School; Mary R. Byers, Author and Historian and Honorary Director, The Empire Club of Canada; Donna Hayes, President and Chief Operating Officer, Harlequin Enterprises Limited; and Jack H.B. Nederpelt, Managing Director, Heidrick & Struggles Canada.

Introduction by Bill Laidlaw

When I was very young my father felt it was very important for me to start reading the paper and watching the news. He felt that if I could get into these two mediums early I would get hooked. The paper was of course The Globe and Mail and the news was CBC.

I did heed my fathers wise counsel starting with sports and then politics and now I have become an addict where I cannot get enough news and views.

One of the leaders commentating on current events of the day is our guest speaker. I have been listening to him on the CBC for years and enjoying his articles in the Globe.

I must admit that when I first heard him I was amazed at how much he could say in such a short period of time. His thoughts, ideas and suggestions were spewing out so fast I could not keep track of them all. It was like getting a drink from a fire hydrant.

Now that I am accustomed to his presentation and his writing style, I find him and what he has to say even more fascinating. Coming from the grand province of Newfoundland that has produced so many fine orators and having that enchanting Newfoundland lilt certainly adds to my fascination of him.

All of us who are Rex Murphyites are much richer for having him with us so he can continue to entertain, inform and enlighten us.

Rex Murphy was born and raised in Newfoundland. In 1968 he attended Oxford University as a Rhodes scholar. After returning to Newfoundland he established himself as a writer, broadcaster and teacher.

A noted political commentator, Rex is well known throughout Newfoundland for his biting comments on the political scene and his nightly television debates on the show "Here and Now," which has featured many prominent politicians including Premier Joey Smallwood.

His role in the political scene grew when he worked as an executive assistant to the leader of the Liberal Party of Newfoundland. He also went on to run for office twice in provincial elections.

Rex's broadcasting career is equally as diverse as his political one. As well as hosting "Cross Country Check Up," he also contributes weekly TV essays on diverse topics to CBC TV's "The National." He has also contributed to "Morningside," "Land and Sea," "The Journal," and written commentaries and book reviews for The Globe and Mail and the Ottawa Citizen.

He has worked extensively with CBC over the years and contributed many items on current affairs issues. For "The National" he has done a number of documentaries including the highly acclaimed “Unpeopled Shores” which detailed the tragedy of disappearing fish.

Rex has received several awards for his work including national and provincial broadcasting awards and he was awarded honorary doctorates in letters by Memorial and St. Thomas Universities.

It is my pleasure to introduce to you today as our guest speaker the amazing Rex Murphy.

Rex Murphy

Thank you very much for the majority of that.

My own descent into the purgatory of Newfoundland politics is not the kind of thing you want to announce to a full room of people. My association with the Newfoundland Liberal Party, disastrous though it was, has some explanation. It was the result of a severe blow to the head. Fortunately the head in question wasn’t mine. It was Brian Peckford’s. Those of you with a retentive memory may remember at one point Mr. Peckford had a slightly extravagant fantasy at the cost of $28 million of forcefully making Newfoundlanders vegetarians of the cucumber order. Our province spent $28 million in an attempt to grow cucumbers in a climate that contains neither soil nor light and attempted to market that idea among the most relentlessly and proudly carnivorous people on the face of the globe.

I am rather pleased to get the invitation to be here. I don’t get out very often. Certainly not by invitation. And of course it also suspends me from the normal noon-hour duty that is mine at the temple on Front Street just down from here. Normally at this time it is my task to trim the wicks of the candles in front of the shrine containing the statue of David Suzuki that we have in the lobby. The paraffin in these as you may imagine is entirely exquisitely natural so being exempted from that is in itself a bit of treat.

I was here a couple of weeks ago when Peter Herrndorf delivered an exposition on the state of the arts in this country and as you have already been alerted Mr. Snobelen is due here very shortly to give a treatise on bears. So I take it that I have been invited to fill the chasm. Between Peter Herrndorf on the arts and John Snobelen on bears evidently some breach is necessary.

I suspect it was thought by the managers of this symposium that Herrndorf on art and Snobelen on bears in tandem was a regular freight train of man the thinker. And not even an Empire Club could easily bear the weight of all that metaphysics without something of an intellectual or possibly even a moral holiday.

But maybe the chasm is not as deep or as threatening as I picture. The bears after all could be artists. Performance artists have taken some right turns lately. Maybe some artists could be thought of as bears—all fur and appetite heading for snacks and hibernation at the Canada Council.

In any event I am glad to be here at an institution that is almost, if I may dare say so, deliriously politically incorrect. I find it difficult to accept, let alone understand, that in this great steam bath of enlightened sensitivity, that we call our times, such a creature actually exists as an Empire Club. It is a startling wonder that you haven't been bludgeoned into oblivion by the Ontario Human Rights Commission or any other of those myriad beetles that wander the world salivating and horny to take offence—searching out innocent amusement or cherished tradition to wheel them off to the grinding of the grim teeth of the higher sensibilities. But before I lay down a hoar frost of digression and irrelevance, let us as Mr. Snobelen is bound in his turn to say, "Get down to the meat."

The storm waves of September 11 obviously still beat about us. How much the world has changed.

Barely over a year ago the great story of today in this country was the rapid decay (I'm speaking only political) of Joe Clark. The caucus was leaving him, the party chairman was heading for the lifeboats and the PC Party was the light in the empty fridge just before the door closes. I remember remarking at the time that Joe Clark seemed trapped in an unfriendly Agatha Christie movie. Every time he woke up there was one less person on the train. A year later and it is Stockwell Day who's attempting a comeback, maybe even more miraculous by the consideration that he never fully arrived in the first place. The NDP are off at Hogworts.

Against the great shadow of the news since September 11, these are items in a parlour game. I don't know the eleventh, as we now all say, changed the world or merely readjusted or corrected our understanding of it. The message of that explosive morning when temple and tower went to the ground is that things happen and they happen here. There are not two worlds—one in which politics and the action of politics is frequently war, murder, terror and grief and another one, mainly ours, in which people merely read and watch these outriders of mayhem and chaos as spectators.

I don't think that everything has changed. I think longer line-ups at the Air Canada check-up hardly strike me as a fundamental breach of continuity. Airports seem to satisfy as part of their nature the old catholic idea of limbo as a place where souls abide eternally without point or purpose, other than to avoid the even greater torment of a second eternity on the tarmac.

Everything hasn't changed. Everything has come back. The world is more likely to be a place of noise and pain and threat than it is likely to be one of calm and ease and harmony. We have been for such a long interval exempt from the predominant miseries of life on the planet that we have forgotten the exceptionalism of our condition. We on this swatch of the globe have been awakened to the contingent nature of our exemption from the dirty side of history. We like to believe that we are well off and safe and advanced and progressive as we undoubtedly are, and with no apology. But we like to believe we're all those things as a result of our own diligence, intellect and a certain providence that shelters democracies. The last century, the one just passed, should have told us what is normal in history. And the motto for every society that is enjoying a period of peace and tolerance should be the old injunction: "Watch and pray."

I like the words of an old master, not because they are bleak, and they are, but because they point with some melancholy and wisdom to how human beings keep balance and sustained hope. It also speaks to the way things are. Thomas Brown wrote: "To be forgetful of evils past and ignorant of evils yet to come is a merciful provision in nature whereby we digest the mixture of our few and evil days." It is our inability not to know the future and it's our ability to desensitise ourselves to some of the horrors we've done in the past that gives us the balance and the sanity to construct a proper kind of present.

Life and societies are fragile and tentative at the best of times. Our wealth and prosperity, when we are careless, act as a narcotic. The scale and shock of September 11 is not a consolation but it is a truth. It was a return to the domain of seriousness. The ride is over. It may be seriously questioned whether really there was ever a ride to begin with. In this country these things were a shock and a novelty and a trauma. One of the things that I think carries people's perplexity even further is the inability to understand the motivation of the particular individuals as opposed to general causes at bringing these things into being.

The second point that I'd like to kind of express is some idea of how these things happen. There's a line of Yates said at Easter, 1916: "Too long a sacrifice can make a stone of the heart." I take this as meaning that even the ideal can corrupt, that the appeal of a worthy cause, even the initial necessity of responding to an injustice, when necessity is enjoined by a vigorous conscience, can itself become a form of blindness or hardness of those very sympathies and capacities of the heart which create the appetite for justice in the first place. I suspect as well that the cause offers an ecologically potent space for drying up other human sympathies, the sympathies that connect us all as human beings.

Identification too complete with one set of grievances to the point of passionate and total endeavour is a fertile chamber for building ferocity of partisanship, of idolising the particular and despising the common, of smothering all kinship and sympathy that is not exclusive and of cultivating an almost perfect even manic loyalty and passion to a single or singular goal.

Hence, to give you an illustration. When I recently saw the children going to school on the Fall's Road in Ireland and the partisans of one side of the perpetual Irish quarrel throwing rocks and hurling even more flinty verbal stones at the little kids, it could not be explained to me other than by the idea that those cursing and stoning had by a blind act of will excised sympathy. They had amputated themselves from the deep and permanent currents of human nature. Their attachment to a particular cause had amputated an essential core of humanity. As peoples deep from the furious rages of protestant union or catholic republican, they have crushed reason itself outside the quarrel and they have buried their better angels. For what is there politically that was worth this violence done upon children? For what were they fighting that had more value, more heart than the injuries to the children they were causing? Throwing rocks at children was a surrender of something much more precious than whatever cause they dreamed of being successful.

"Too long a sacrifice can make a stone of the heart." Well fanaticism is ultimately a form of selfishness and arrogance. In other words it is splendid egotism. The lives of all those strangers in the towers and the miseries of daughters and sons, wives and husbands, parents and friends do not mean anything to the fanatic. To the fanatic they are a line on some mad blueprint. So let them burn, jump, fall, be wounded and die. What is it to him?

The intensity of dedication to a type of cause that reaches such spectacular limits of committed action is something to which we have not been accustomed on our part and the intrusion of September 11 was a wild reminder that the tensions that exist on the planet can find their eccentric or singular or particular eruptions and none of us are closed to it.

Here in our country, if we are to have some sort of response, it has to be contingent upon our own understanding of ourselves and that's the last thing I have to say. I think it is the very contained, the very diminished, the inadequate understanding we have of where we are in a world that's become more busy and more threatening. It is incumbent that we know ourselves. We have shrunk our politics and our politics itself has shrunk to faction. The parties have shrunk to their own business and to their business only. We are a mightily un-idea'd political system. Look again at the business of the federal parties. The four main questions facing the Canadian citizen today are purely questions of motion or inertia. When is Jean going? Will Stock be allowed to say? Is Alexa still there? And is Joe ever going to leave? We don't need a Parliament for this. We need a good travel bureau.

In the common arena outside the party system we have a couple of notions that we re-circulate or inflate according to circumstances—the imperatives of an election or the studied ecstasy of Canada today—to give property or an air of insufficiency to our idea or ourselves.

Health care. Health care in this country is a doctrine before it is a policy. It is not the third rail of Canadian politics. It is the back-up generator of Canadian self-understanding. Health care is the surrogate or default mechanism of Canadian patriotism.

Quebec. It is said that if you oppose two mirrors with an intervening object you manufacture an infinity of regressing images. And since there are an infinite number of images it would take an eternity distinctly to look at each of them. The intervening object which multiplies to infinity in our political case is called a referendum. Staring into the double mirror is that peculiar coma we know in this country as constitutional reform.

While regions and provinces have sharp, deeply sketched and enduring characters nationally we have bundled a set of serviceable, commendable and not too flamboyant virtues and settled upon them as a signature of Canadian being. In short-hand again, backpacks with flags, mediators not competition, reserve in the demonstrations of civic display and the very chosen sense of satisfaction for the geographic providence of not being Americans.

Our nation is an artefact. It is something which takes its shape and keeps its very existence by a repeated exercise of self-conscious will and in good times imagination. It is only a slight flex of rhetoric that for this country to continue or flourish (and in that sentence those words are really the same) the country must be re-invigorated or renovated on a daily basis. The intensity with which we derive our civic satisfaction from the various components of this country should have some match on a national scale.

I'll hurl only one more quotation at you. It's from Sir Francis Bacon. He's talking about charity but it can apply to the sense of Canadian being. He says: "Charity will hardly water the ground where it must first fill a pool." The animation and the vigour and the identification of the Canadian civic sense is primarily expressed at the local level. This is the most natural thing in the world. But there has to be a residue of civic and national energy in order that the totality of the organisation to which we belong, the community which we are, has some momentum for its own achievements. We substract from the possibilities of our existence as a total community by not attending consciously to the national endeavour.

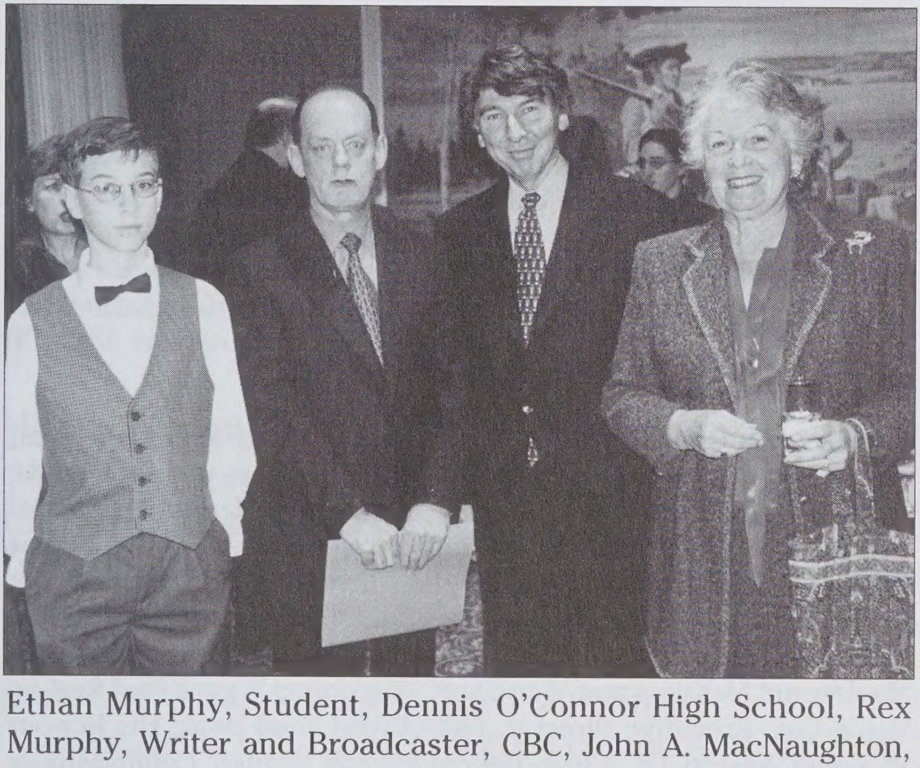
We have our usual counters, but the Canadian project aims at something that is rather difficult and therefore requires total imagination. We aim towards a host of intangibles. We aim at a certain flavour of social harmony that we've evolved and recognised as our own. We aim for certain reasonable interactions between citizens, regions and groups within the country. We aim also, as Peter Herrndorf has hinted, at a certain kind of texture of life that is informed by historical memory, by the achievement of a great artist, but also by the daily business of each citizen in whatever sphere they happen be. It is an amalgamation of shared common and sometimes uplifting experience. The Canadian idea is linked to a set of intangibles and it assumes we recognise that it is not a given social policy but as much a sense of atmosphere and a self-conscious understanding of the things we value. It is a way of being. It is more self conscious and it has a vastly more animated sense than we currently allow it.

We do not bear the burden of our neighbours to the south. They have a mixed blessing. And whether they choose it or not, they have either to act as custodian or policeman or they have to retreat into their massive shell. We don't have that. The idea of Canada is that we are not here to rule but I do think however that we are here to exemplify.

In summary, it is impossible to contain all of the events that flowed from that particular moment of September 11, but if it does have some dividend to pay to us it should make us more vibrantly self-conscious of those things that are of deep worth here and strengthen our resolve to articulate what they are so that they might be protected and advanced. Harnessing the total energy of the nation on a common idea, a common Canadian project, is the greatest way to protect what it is that we are and to have something for which all citizens would widely agree to celebrate.

I suspect by now that the candles are growing dim in front of the afore-said statue. I thank you very much for your patience. It was a great pleasure to be here.

The appreciation of the meeting was expressed by Mary R. Byers, Author and Historian and Honorary Director, The Empire Club of Canada.



Ethan Murphy, Student, Dennis O'Connor High School, Rex Murphy, Writer and Broadcaster, CBC, John A. MacNaughton, President and CEO, The CPP Investment Board and Past President, The Empire Club of Canada and Mary Byers, Author and Historian and Honorary Director, The Empire Club of Canada.

December 13, 2001

The Hon. Hilary M. Weston

Lieutenant-Governor of Ontario

CHRISTMAS LUNCHEON

Seasons Greetings from The Hon. Hilary M. Weston

Chairman: **Bill Laidlaw**
President, The Empire Club of Canada

Head Table Guests

David A. Edmison, President, Martin Lucas & Seagram Independent Investment Counsel and Past President, The Empire Club of Canada; Jill Malleck, Senior Human Resources Consultant, Manulife Financial and Founder, "Send'em Off Smiling" Program; Annie Tung, Senior Honour Student, Parkdale Collegiate Institute; Stevie Cameron, Author and Convenor, "Out of the Cold" Program for Seniors, St. Andrews Presbyterian Church; Robert MacDermid, Partner, Kerzner, MacDermid McKillop and Vice-Chair, The United Way of Peel Region; Susan Cox, Executive Director, Daily Bread Food Bank; His Honour W. Galen Weston, OC, Chair, George Weston Limited; Commissioner William Luttrell, Territorial Commander, The Salvation Army for Canada and Bermuda; The Most Reverend Terence E. Finlay, Archbishop of the Ecclestiastical Province of Ontario, Archbishop of The Diocese of Toronto Anglican Church and Honorary Chaplain, The Empire Club of Canada; Ken Shaw, National Editor, CFTO Television and Director, The Empire Club of Canada; Isobel Laidlaw, Member of The Empire Club of Canada and Mother of the President;

Raminder Gill, MP, Member of Parliament, Brampton-West-Mississauga; Major William A. Duncan, CD, Member of the Argyll and Sutherland Highlanders of Canada in WWII, Retired Chief of Personnel, Canada Post and Honorary Director, The Empire Club of Canada; Sally Horshfall Eaton, Recent Chair, Advisory Board on the Volunteer Sector for the Province of Ontario, Chair, St. John's Rehabilitation Hospital and Chair "Breakfast for Learning," The Canadian Living Foundation; Jay Hope, Chief Superintendent and Regional Commander, Ontario Provincial Police; and Gareth S. Seltzer, President and CEO, TWS Petroleum Limited and TWS Private Management and Past President, The Empire Club of Canada.

Introduction by Bill Laidlaw

The Empire Club of Canada has continued the tradition of Christmas since 1913 with its Christmas luncheon, and lieutenant-governors have graced its head table since 1963.

Her Honour, Hilary M. Weston, Lieutenant-Governor of Ontario, is a valued friend of the club and its Honorary Vice-President. Her Honour is highly regarded as a respected, sensitive, influential and effective member of our community and therefore it is with both regret and appreciation that we invite Her Honour to bring to the club, its members and guests—and our media audience—her final address and greetings from Her Majesty the Queen in her capacity as Lieutenant-Governor of Ontario. Please welcome, Her Honour, Hilary M. Weston.

Hilary Weston

Thank you for inviting me to the annual Empire Club Christmas luncheon. You may well be happy to hear that, this year, my remarks will be somewhat shorter than usual. To be honest, I'm not sure if my voice would hold out for more than a few minutes, as I've recently made more farewell appearances than Frank Sinatra!

Once again, I find myself in good company at our head table. And I am happy to say that we all had lots to talk about during lunch. I was delighted to have the opportunity earlier to chat with William Duncan, a veteran of World War II. My respect for the selfless sacrifice of Canadians in wartime has grown hugely through my participation in Remembrance Day ceremonies across Southern Ontario.

I am also pleased to see Chief Superintendent Jay Hope of the OPP, the highest-ranking Black police officer in Ontario—and, I might add, a loyal Aide-de-Camp, serving the Office of the Lieutenant-Governor as a volunteer.

As Jay can attest, in the past five years I have met many amazing people. I've visited places in Ontario that I might never otherwise have seen, and have listened to the stories and concerns of a broad spectrum of citizens. And, notwithstanding the gravity and historical significance of this role, I have had a lot of fun!

Looking back over my term, I think I would have to say that I have especially enjoyed the time that I spent with volunteers. Volunteers have always seemed to me to be very special people, motivated by ideals of service and the desire to make this a better world for all of us. Which is why, in 1998, we inaugurated the Lieutenant-Governor's Community Volunteer Award, as a way of honouring those unsung heroes of our society.

The joy of that award was that it was always given as a complete surprise to the recipients. When I would announce the presentation in the course of a visit or reception, the recipients would invariably be shocked that anybody, let alone the lieutenant-governor, should consider their actions to be praiseworthy. In fact, Sue Cox from the Daily Bread Food Bank and Commissioner Bill Luttrell from the Salvation Army may attest to the astonishment of the volunteers to whom I presented the award on drop-in visits to Daily Bread and to a Salvation Army women's shelter in Brampton.

One recipient wrote to me afterwards, saying that she neither deserved the award, nor needed it, for she gained far more from her voluntary activities than she felt she actually gave. She used a wonderful expression, referring to the "voluntariness" of her life. In other words, she equated voluntarism with ordinariness.

Well, I must respectfully disagree with her, for I still believe that volunteers are amongst the most special people on this planet. Just last week, I hosted a reception at Queen's Park to celebrate International Volunteer Day. We asked volunteer organisations to propose for the guest list; not directors and senior managers, but frontline volunteers, who normally do not attend such events.

So I can tell you that when I walked into that reception, I felt as if I had received a shot of adrenaline. There was so much positive energy emanating from all those people, that it occurred to me I could be accused of being a "volunteer groupie," because I get such a terrific emotional charge from being around such wonderful people.

Another joy of the last five years was the opportunity to spend time with children and young people. They were singularly unimpressed by the pomp and circumstance surrounding the lieutenant-governor, but being children they were nevertheless curious to know how it all affected me. On one occasion, when I spoke to a class about the vice-regal role, explaining how I represent Her Majesty the Queen in Ontario, one young lady summed it all up for her classmates and her teacher by saying: "So, you're a kind of supply Queen, right?"

Buoyed up by their unquenchable optimism, young people are unstoppable as volunteers. When they become involved in working for a cause or a community endeavour, their youthful idealism can galvanise even the most jaded. They are also, perhaps, more likely than older volunteers to realise how much they gain from their community activities, in terms of their own growth.

One young woman said: "When deciding to volunteer, I thought 'Well, what do I have to lose?' Little did I know just how much I had to gain. I have learned more than I ever dreamed I could... and gained great work experience."

On another occasion, a young man told me: "Sometimes volunteering can be frustrating, uncomfortable, and sometimes you wish you were doing something else. However, all experiences usually turn out to be good experiences [though], as Winston Churchill once said: 'Some of them can be well disguised at the time.'"

Well, I think I can safely say that speaking at the Empire Club, particularly at this time of year, has been amongst the good experiences of my life over the past five years. Several times, you have given me an opportunity to tell you stories of courage and compassion, of ordinary citizens who have given so much to their communities.

And as I look back on my five years in office, I sometimes wonder if I've given all that I could in celebrating the achievements and supporting the needs of our fellow citizens. In the face of the tremendous social needs all around us, I believe that we must ask ourselves: "What can we give?"

Perhaps the answer lies in the words of my favourite carol, "In the Bleak Midwinter." It closes with the lines, "If I were a wise man/I would do my part/Yet what can I give?/Give my heart."

As Jean Vanier once said: "Perhaps what Christmas is all about, is to help us rediscover... the fact that we have hearts and are capable of loving."

So at this special time of the year, when communities all across Ontario gather to celebrate the end of Ramadan, the beginning of Hanukkah, and the advent of Christmas, I would like to wish each and every one of you a happy holiday season!

The appreciation of the meeting was expressed by Gareth S. Seltzer, President and CEO, TWS Petroleum Limited and TWS Private Management and Past President, The Empire Club of Canada.

The Honourable Hilary M. Weston, DStJ, Lieutenant-Governor of Ontario, Bill Laidlaw, President, The Empire Club of Canada and CEO, St. John Council for Ontario and Jill Malleck, Senior Human Resources Consultant, Manulife Financial and Founder, "Send 'em Off Smiling" Program.

Commissioner William Luttrell, Territorial Commander, The Salvation Army for Canada and Bermuda and Mrs. Isobel Laidlaw, Member of The Empire Club of Canada and Mother of the President.

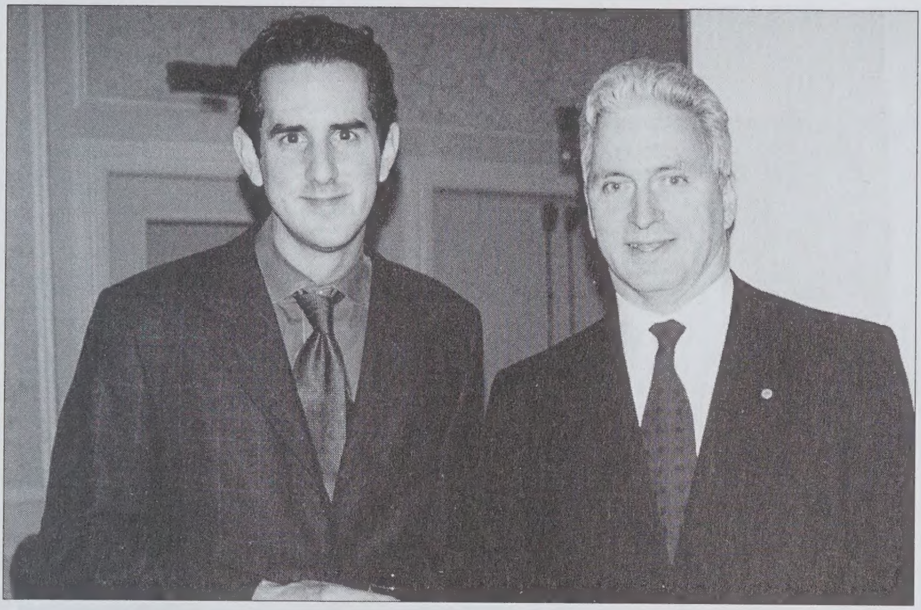
Bill Laidlaw, President, The Empire Club of Canada and CEO, St. John Council for Ontario and David J. McFadden, Partner, Smith Lyons.

Bill Laidlaw, President, The Empire Club of Canada and CEO, St. John Council for Ontario, Lucia Gordon-Swims, Advanced Training Specialist and Project Manager, EDS and Richard H. Brown, Chairman and CEO, EDS.

Bill Laidlaw, President, The Empire Club of Canada and CEO, St. John Council for Ontario and Peter Worthington, Editorial Writer/Columnist, The Toronto Sun.

Bill Laidlaw, President, The Empire Club of Canada and CEO, St. John Council for Ontario and Catherine Steele, Vice-President, Public Affairs and Corporate Communications, Hoffmann-La Roche Limited and Past President, The Empire Club of Canada.

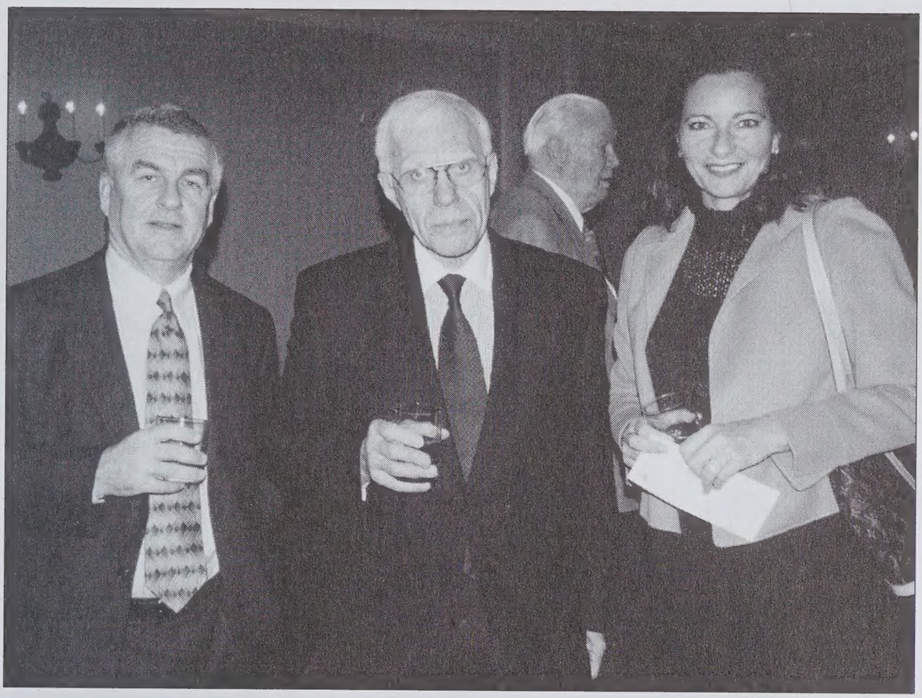
The Honourable Barnett J. Danson, PC, OC, LLD, OM (FR), Former Minister of National Defence for the Government of Canada and Honorary Director, The Empire Club of Canada, The Honourable Alistair W. Gillespie, PC, OC, Former Minister of Industry, Trade and Commerce, Former Minister of Energy, Mines and Resources for the Government of Canada, Mark Palmer, President/Owner, Palmer & Company, LCol. A.G. (Sandy) Cameron, OStJ, CD, AdeC, Senior Aide de Camp to the Lieutenant-Governor and Director, The Empire Club of Canada and Bill Laidlaw, President, The Empire Club of Canada and CEO, St. John Council for Ontario.



Duncan N.R. Jackman, Managing Director, Fulcrum Investment Company and George L. Cooke, President and CEO, The Dominion of Canada General Insurance Company and Past President, The Empire Club of Canada.

Harry Rosen, Executive Chairman, Harry Rosen Inc. and Peter Sharpe, President and CEO, Cadillac Fairview.

Past Presidents' Dinner (99th year)
Directors of The Empire Club of Canada



Bev Crone, General Manager, Retail and Distribution Industry, IBM Canada, Len Kubas, President, Kubas Consultants and Diane Brisebois, President and CEO, Retail Council of Canada.

Mrs. Flaherty, John Koopman, Partner, Heidrick & Struggles and 2nd Vice-President, The Empire Club of Canada and Bill Laidlaw, President, The Empire Club of Canada and CEO, St. John Council for Ontario.

Colin Wickham, Administrator Assistant, The Empire Club of Canada, Debbie Testa, Administrator, The Empire Club of Canada and Major William (Bill) A. Duncan, CD, Honorary Director, The Empire Club of Canada and Chairman of the Reception Committee.

Alain Batty, President and Chief Executive Officer, Ford Motor Company of Canada and Bill Laidlaw, President, The Empire Club of Canada and CEO, St. John Council for Ontario.

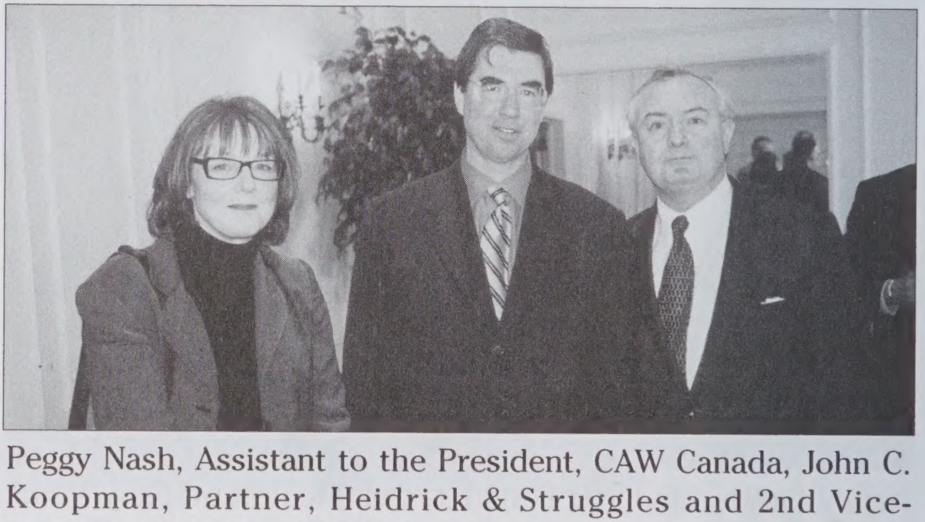
The Reverend Dr. John Niles, Victoria Park United Church, His Excellency Mr. Raymond Chrétien, Canadian Ambassador to France and Hugues Goisbault, Consul General of France.

Col. Brian MacDonald, CD, President, Strategic Insight Planning and Former Executive Director, Canadian Institute of Strategic Studies, Jocelyn Badovinac, UE, MEd, DH, Retired Specialist in Special Education and Volunteer, The Empire Club of Canada, MGen Bruce J. Legge, CM, CMM, KStJ, ED, CD, QC, Former Chief of Reserve Forces and Past President, The Empire Club of Canada, Desmond Morton, PhD, Professor of Canadian Military, Political and Industrial Relations History, McGill University and Edward P. Badovinac, KH, Chairman, The Good Neighbours' Club of Toronto (a day centre for the older, homeless and unemployed man), Director, The Empire Club of Canada, Chairman, The Empire Club of Canada Yearbook.

John C. Koopman, Partner, Heidrick & Struggles and 2nd Vice-President, The Empire Club of Canada, Robert J. Dechert, Partner, Gowling LaFleur Henderson LLP and Past President, The Empire Club of Canada and Michael Dell, Chairman and CEO, Dell Computer Corporation.

Nancy Smith, CEO and Founder, NextMedia Company, Anne Fotheringham, Private Art Dealer and Director, The Empire Club of Canada, Allan Fotheringham, Author and Columnist and Isabel Bassett, Chair and CEO, TV Ontario.

The Honourable Frank McKenna, PC, QC, Counsel, McInnes Cooper & Robertson and Former Premier of New Brunswick, The Honourable Barnett J. Danson, PC, OC, LLD, OM(FR), Former Minister of National Defence for the Government of Canada and Honorary Director, The Empire Club of Canada and The Honourable Alistair W. Gillespie, PC, OC, Former Minister of Industry, Trade and Commerce, and Former Minister of Energy, Mines and Resources for the Government of Canada.



Peggy Nash, Assistant to the President, CAW Canada, John C. Koopman, Partner, Heidrick & Struggles and 2nd Vice-President, The Empire Club of Canada and David A. Edmison, President, Martin Lucas & Seagram Independent Investment Counsel and Past President, The Empire Club of Canada.

Scott Vickers, President, Summit Ford and Alain Batty, President and CEO, Ford Motor Company of Canada.

Charlie Cutts, President and CEO, Corporation of Massey Hall and Roy Thomson Hall and Peter Simon, President, Royal Conservatory of Music.

Michael Dell, Chairman and CEO, Dell Computer Corporation and Blake C. Goldring, CFA, President and CEO, AGF Management Limited and Director, The Empire Club of Canada.

Edward P. Badovinac, KH, CET, Chairman, The Good Neighbours' Club of Toronto (a day centre for the older, homeless and unemployed man), Director, The Empire Club of Canada and Chairman, The Empire Club of Canada Yearbook, Alain Batty, President and CEO, Ford Motor Company of Canada, Hugues Goisbault, Consul General of France and Jocelyn Badovinac, UE, MEd, DH, Retired Specialist in Special Education and Volunteer, The Empire Club of Canada.

LCol. Phil Berthiaume, Commanding Officer, The Essex and Kent Scottish Regiment, Windsor and LCol. A.G. (Sandy) Cameron, OStJ, CD, AdeC, Senior Aide de Camp to the Lieutenant-Governor and Director, The Empire Club of Canada.

Willis L. Blair, Honorary Director, The Empire Club of Canada, Gordon K. McIvor, Vice-President, Canada Lands Company Limited and President, The Canadian Club of Toronto, His Royal Highness, Prince Michael of Kent and Gareth S. Seltzer, President and CEO, TWS Petroleum Limited, Managing Director, TWS Private Wealth Management Inc. and Past President, The Empire Club of Canada.

Sharon Rudy, Vice-President, Spencer Stuart and Director, The Empire Club of Canada, Mark Bruneau, President and CEO, Adventis and Claude Lajeunesse, President, Ryerson University.

Anthony S. Fell, Chairman and CEO, RBC Dominion Securities Limited, Mike Harris, Premier of Ontario, Katy Garner, Grade 10 Student, Barrie North Collegiate Institute and Bill Laidlaw, President, The Empire Club of Canada and CEO, St. John Council for Ontario.

Ernie L. Eves, Candidate for the Leadership of the Progressive Conservative Party of Ontario and Bill Laidlaw, President, The Empire Club of Canada and CEO, St. John Council for Ontario.

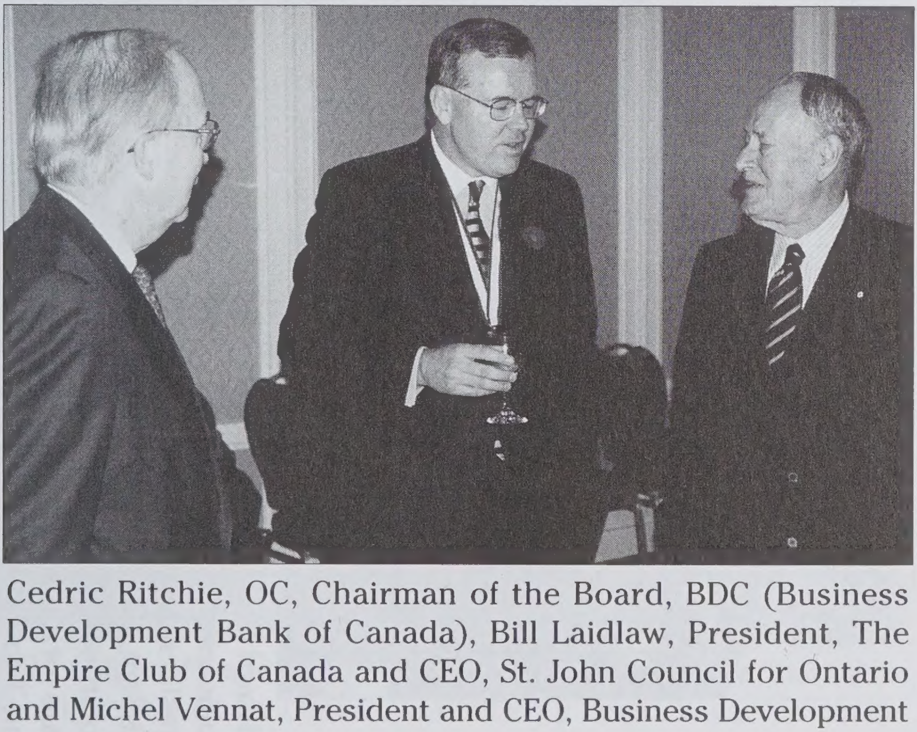
Paul Fisher, Vice-President and Corporate Secretary, CIBC and LCol. Frederic L.R. Jackman, CStJ, CD, PhD, President, Invicta Investments Incorp. and Past President, The Empire Club of Canada.

Ernie L. Eves, Candidate for the Leadership of the Progressive Conservative Party of Ontario, Sharon Stinson-Henry, Chief, Mnjikaning First Nation and Carol Yaworski, Executive Director, Learning Disabilities Association of Ontario.

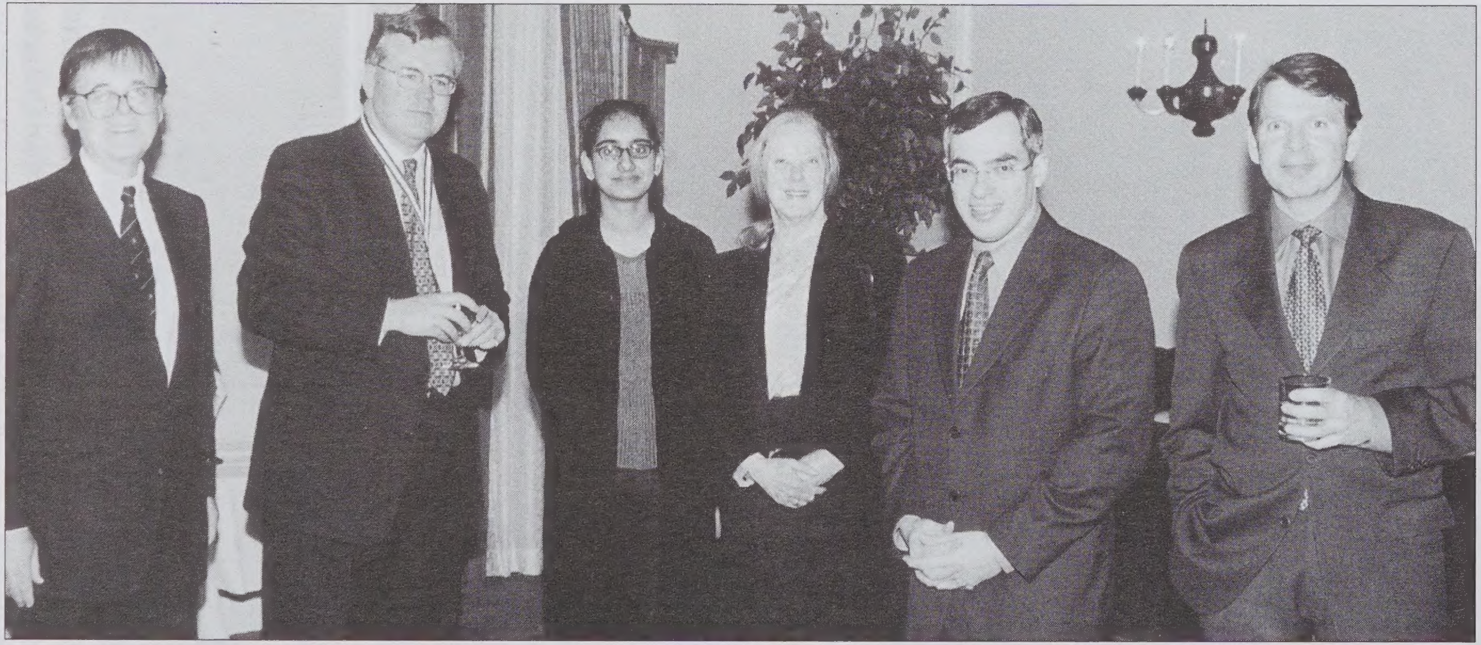
Neil Selfe, Managing Director, RBC Capital Markets and The Honourable Elizabeth Witmer, MPP, Minister of the Environment, Province of Ontario and Candidate for Leadership of the Progressive Conservative Party of Ontario.

Robert J. Dechert, Partner, Gowling LaFleur Henderson LLP and Past President, The Empire Club of Canada and Bill Laidlaw, President, The Empire Club of Canada and CEO, St. John Council for Ontario.

Blake C. Goldring, CFA, President and CEO, AGF Management Limited and Director, The Empire Club of Canada and Greg Bandler, President, Brandpoint.



Cedric Ritchie, OC, Chairman of the Board, BDC (Business Development Bank of Canada), Bill Laidlaw, President, The Empire Club of Canada and CEO, St. John Council for Ontario and Michel Vennat, President and CEO, Business Development Bank of Canada.



Edward P. Badovinac, KH, CET, Chairman, The Good Neighbours' Club of Toronto (a day centre for the older, homeless and unemployed man), Director and Chairman, The Empire Club of Canada Yearbook, Bill Laidlaw, President, The Empire Club of Canada and CEO, St. John Council for Ontario, Balprit Dhillon, Honour Roll Student, Bloor Collegiate Institute, Jocelyn Badovinac, UE, MEd, DH, Retired Specialist in Special Education and Volunteer, The Empire Club of Canada, The Honourable Tony Clement, MPP, Minister of Health and Long-Term Care for the Province of Ontario and Candidate for Leadership of the Progressive Conservative Party of Ontario and Tom Long, Partner, The Monitor Group and Chairman, Ontario PC Election Campaign 1995, 1999.

Bill Laidlaw, President, The Empire Club of Canada and CEO, St. John Council for Ontario and Murray Lloyd, Owner, Murray Lloyd's Chaps.

Bill Laidlaw, President, The Empire Club of Canada and CEO, St. John Council for Ontario and David MacKinnon, President and CEO, Ontario Hospital Association.

Bob Weese, Vice-President, GE Canada Inc. and The Honourable Bob Rae, PC, QC, OC, Chairman, TSO Transition and Renewal Committee and Partner, Goodmans LLP.

Nicholas LePan, Superintendent, Financial Institutions, Canada, Ronald Robertson, Chairman of the Board, Canada Deposit Insurance Corporation and Bill Mitchell, Retired Partner, PricewaterhouseCoopers.

The Honourable Thomas Hockin, PC, President and CEO, The Investment Funds Institute of Canada and Director, The Empire Club of Canada, The Honourable Howard Weston, Vice Chairman, Ontario Securities Commission, Nicholas LePan, Superintendent, Financial Institutions, Canada and Bill Laidlaw, President, The Empire Club of Canada and CEO, St. John Council for Ontario.

The Honourable James K. Bartleman, OOnt, Lieutenant Governor of Ontario and The Reverend Dr. John Niles, Victoria Park United Church.

Peter Barnes. President, Burak Barnes International and Bill Laidlaw, President, The Empire Club of Canada and CEO, St. John Council for Ontario.

Andy Pringle, Managing Director, RBC Capital Markets, Chairman of the Board, Upper Canada College and President, Canadian Foundation for AIDS Research and J. Douglas Blakey, Principal, Upper Canada College.

Jocelyn Badovinac, UE, MEd, DH, Retired Specialist in Special Education and Volunteer, The Empire Club of Canada and George R. Laidlaw, Counsel, Ministry of the Attorney General, Toronto.

John Smith, Senior Vice-President, Commercial Banking, Laurentian Bank and Ryan Kalt, CEO, Nu Media Inc.

Emily Moore-Wickham, OAC Student, Loretto Abbey High School, Employee, "Summer Experience Program" and Participant, "Ontario Ranger Program 2000," and Colin Wickham, Administrator Assistant, The Empire Club of Canada.

The Reverend Dr. John Niles, Rector, Victoria Park United Church and Director, The Empire Club of Canada, Michael Coren, TV Personality and Political Commentator and Columnist, The Toronto Sun and Bill Laidlaw, President, The Empire Club of Canada and CEO, St. John Council for Ontario.

Michael Clarke, OC, Theology Student, Wycliffe College, The Reverend Dr. John Niles, Rector, Victoria Park United Church and Director, The Empire Club of Canada and Doug Morris, President, Morris Glass and Director, The Empire Club of Canada.

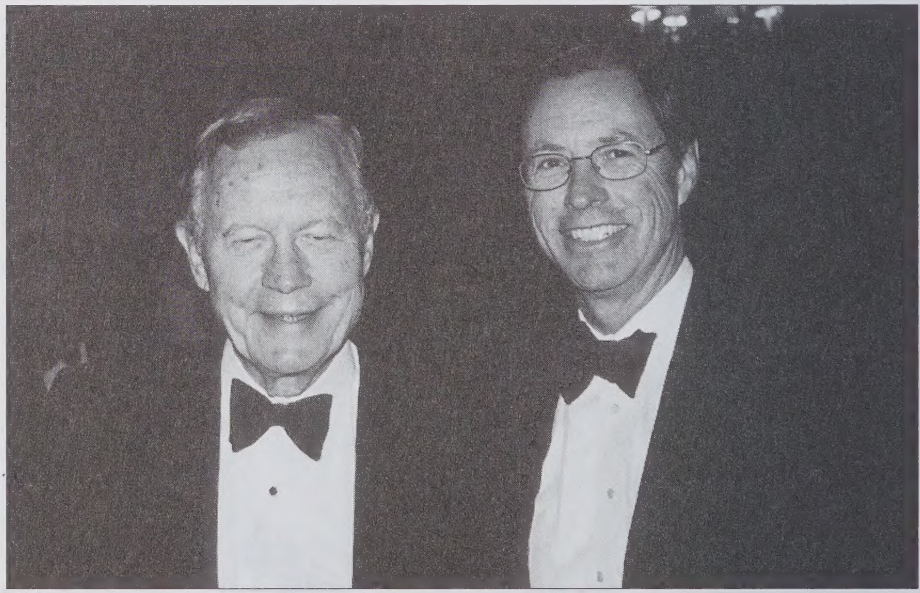
Peter Worthington, Editorial Writer/Columnist, The Toronto Sun and Jack Stoddard, OC, Chairman, Stoddart Publishing Company Ltd.

Joseph J. Oliver, President and CEO, Investment Dealers Association of Canada and Blake Goldring, CFA, President and CEO, AGF Management Limited and Director, The Empire Club of Canada.

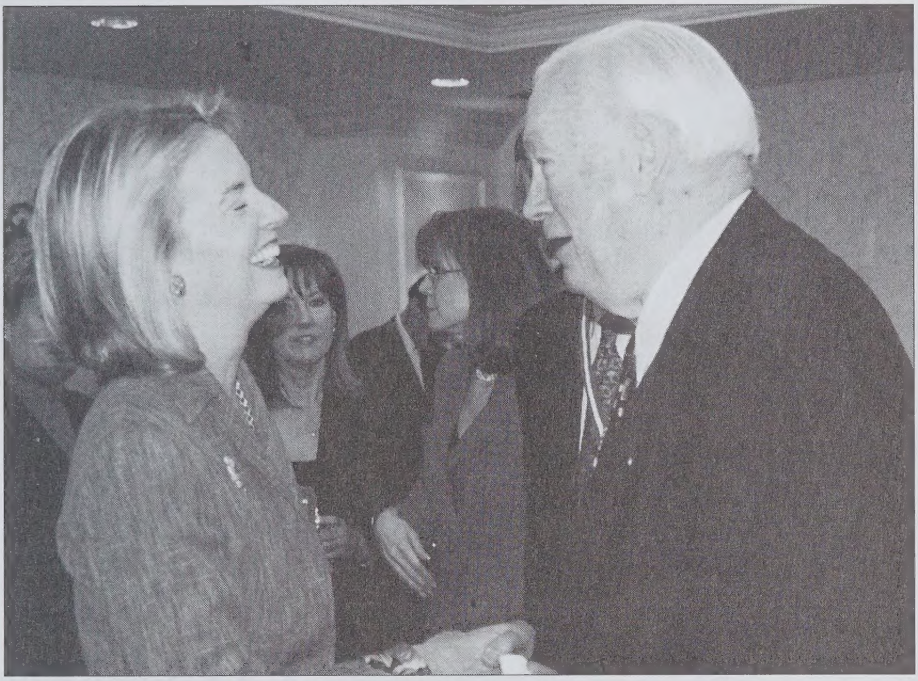
Bill Laidlaw, President, The Empire Club of Canada and CEO, St. John Council for Ontario and Allan Fotheringham, Author and Columnist.

Michael T. McHugh, CFA, Portfolio Manager, Dynamic Mutual Funds and Horst Hueniken, Vice-President and Director, TD Newcrest.

William F. White, President, IBK Capital Corp., Jim C. Kelly, Director, Fixed Income Sales, RBC Capital Markets and Bill Laidlaw, President, The Empire Club of Canada and CEO, St. John Council for Ontario.



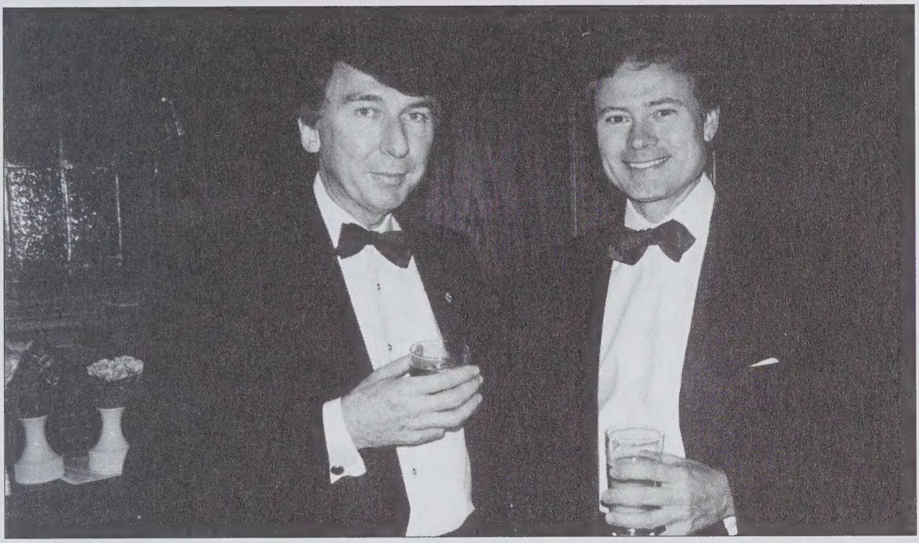
Warren Goldring, Chairman and CEO, AGF Management and Director, The Empire Club Foundation and Douglas Derry, FCA, Corporate Director, Poplar Lane Holdings, Past President, The Empire Club of Canada and Past Chairman, The Empire Club Foundation.



The Honourable Hilary M. Weston, DStJ, Lieutenant-Governor of Ontario and Willis Blair, Honorary Director, The Empire Club of Canada and a Member of the Head Table Reception Committee.

The Honourable Hilary M. Weston, DStJ, Lieutenant-Governor of Ontario, Jocelyn Badovinac, UE, MEd, DH, Retired Specialist in Special Education and Volunteer, The Empire Club of Canada and Edward P. Badovinac, KH, CET, Chairman, The Good Neighbours' Club of Toronto (a day centre for the older, homeless and unemployed man) and Director and Chairman, The Empire Club of Canada Yearbook.

MGen. Bruce Legge, CMM, CM, KStJ, ED, CD, QC, Partner, Legge & Legge, Past President, The Empire Club of Canada and Past Chairman, The Empire Club Foundation, LCol. A.G. (Sandy) Cameron, OStJ, CD, AdeC, Senior Aide de Camp to the Lieutenant-Governor, Director, The Empire Club of Canada and Chairman of the Head Table Reception Committee, Edward P. Badovinac, KH, CET, Chairman, The Good Neighbours' Club of Toronto (a day centre for the older, homeless and unemployed man), Director, The Empire Club of Canada, Chairman, The Empire Club of Canada Yearbook and Major William A. Duncan, CD, Member of the Argyll and Sutherland Highlanders of Canada in WWII, Retired Chief of Personnel, Canada Post, Honorary Director, The Empire Club of Canada and Chairman of the Lunchroom Reception Committee.

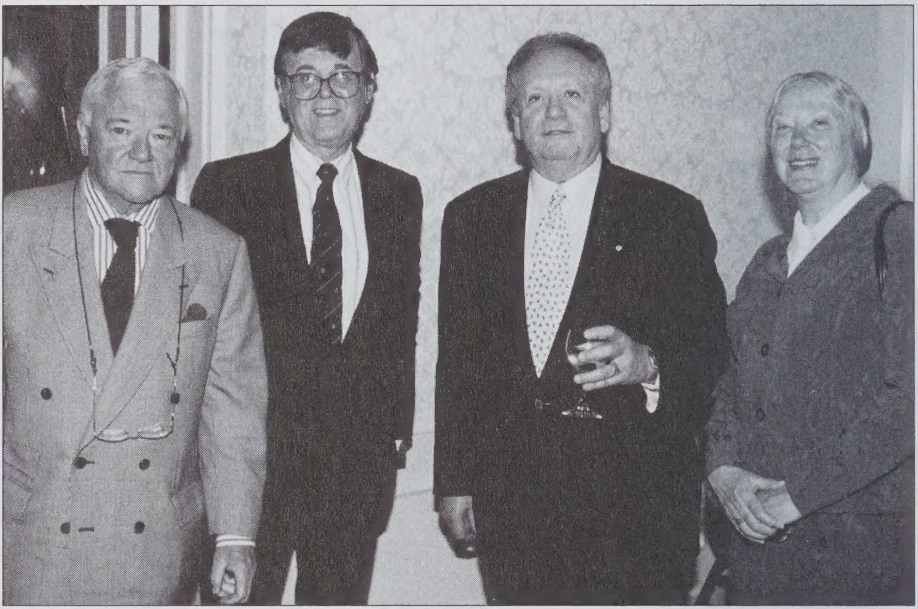


John MacNaughton, President and CEO, The CPP Investment Board, Past President, The Empire Club of Canada and Past Chairman, The Empire Club Foundation and Blake Goldring, CFA, President and CEO, AGF Management Limited and Director, The Empire Club of Canada.

Edward P. Badovinac, KH, CET, Chairman, The Good Neighbours' Club of Toronto (a day centre for the older, homeless and unemployed man) and Director and Chairman, The Empire Club of Canada Yearbook, The Most Reverend Terence E. Finlay, Archbishop of the Ecclesiastical Province of Ontario, Archbishop of The Diocese of Toronto Anglican Church and Honorary Chaplain, The Empire Club of Canada, Jocelyn Badovinac, UE, MEd, DH, Retired Specialist in Special Education and Volunteer, The Empire Club of Canada and Susan Cox, Executive Director, Daily Bread Food Bank.

LCol. Frederic L.R. Jackman, CStJ, CD, PhD, President, Invicta Investments Incorp. and Past President, The Empire Club of Canada, George L. Cooke, President and CEO, The Dominion of Canada General Insurance Company and Past President, The Empire Club of Canada, Edward P. Badovinac, KH, CET, Chairman, The Good Neighbours' Club of Toronto (a day centre for the older, homeless and unemployed man), Director, The Empire Club of Canada, Chairman, The Empire Club of Canada Yearbook and John MacNaughton, President and CEO, The CPP Investment Board, Past President, The Empire Club of Canada and Past Chairman, The Empire Club Foundation.

Back, from left: Gordon K. McIvor, Vice-President, Canada Lands Company Limited and President, The Canadian Club of Toronto and Bill Laidlaw, President, The Empire Club of Canada and CEO, St. John Council for Ontario. Front, from left: The Hon. Francisco L. Benedicto, Philippine Ambassador to Canada and Her Excellency Gloria Macapagal-Arroyo, President of the Republic of the Philippines.



Allan Fotheringham, Author and Columnist, Edward P. Badovinac, KH, CET, Chairman, The Good Neighbours' Club of Toronto (a day centre for the older, homeless and unemployed man), Director, The Empire Club of Canada and Chairman, The Empire Club of Canada Yearbook, Stanley H. Hartt, Chairman, Salomon Smith Barney Canada Inc. and Past President, Canadian Psychiatric Research Foundation and Jocelyn Badovinac, UE, Med, DH, Retired Specialist in Special Education and Volunteer, The Empire Club of Canada.

Allan Fotheringham, Author and Columnist, Anne Fotheringham, Private Art Dealer and Director, The Empire Club of Canada and Richard Addis, Editor, The Globe and Mail.

The Honourable Henry N.R. Jackman, CM, KStJ, OOnt, BA, LLB, LLD, Chairman and President, E-L Financial Corporation Ltd. and Past President, The Empire Club of Canada, The Reverend Kim Beard, BA, BEd, MDiv, Christ Church, Brampton and Tony van Straubenzee, Managing Director, Russell Reynolds Associates and Past President, The Empire Club of Canada.

Senator Con D. Nino, John C. Koopman, Partner, Heidrick & Struggles and 2nd Vice-President, The Empire Club of Canada and George L. Cooke, President and CEO, The Dominion of Canada General Insurance Company and Past President, The Empire Club of Canada.

George D. Anderson, President and CEO, Insurance Bureau of Canada and Director, The Empire Club of Canada and Norman D. Inkster, President, KPMG Investigation and Security Inc.

Ronnie Miller, President and CEO, Hoffmann-La Roche Limited, The Reverend Prue Chambers, St. Nicholas Anglican Church, Birchcliffe, Sadhisha Ambagahawita, Student, Student Council Member, Western Technical-Commercial School and Jocelyn Badovinac, UE, MEd, DH, Retired Specialist in Special Education and Volunteer, The Empire Club of Canada.

Norman D. Inkster, President, KPMG Investigation and Security Inc. and Bob Widdowson, National Partner in Charge, Information Risk Management, KPMG, LLP

Larry Stout, Business Anchor, CTV Newsnet and Honorary Director, The Empire Club of Canada, Mr. Grant Kerr, Associate Minister, St. Paul's United Church, Brampton and Bill Laidlaw, President, The Empire Club of Canada and CEO, St. John Council for Ontario.

David Goulding, President and CEO, Independent Electricity Market Operator and LCol. A.G. (Sandy) Cameron, OStJ, CD, AdeC, Senior Aide de Camp to the Lieutenant-Governor and Director, The Empire Club of Canada.

Gordon K. MCIvor, PhD, President, The Canadian Club of Toronto and Vice-President, Public and Government Affairs, Canada Land Co. Ltd., Her Excellency Gloria Macapagal-Arroyo, President of the Republic of the Philippines and Bill Laidlaw, President, The Empire Club of Canada and CEO, St. John Council for Ontario.

Bill Laidlaw, President, The Empire Club of Canada and CEO, St. John Council for Ontario, The Reverend Dr. John Niles, Victoria Park United Church and John C. Koopman, Partner, Heidrick & Struggles and 2nd Vice-President, The Empire Club of Canada.

Elizabeth Laidlaw, Grade 13 Student, St. John's College, Brantford, Bill Laidlaw, President, The Empire Club of Canada and CEO, St. John Council for Ontario, Sara Laidlaw, Director, Human Resources, N.C.R. Canada and His Excellency Mr. Raymond Chrétien, Canadian Ambassador to France.

Bill Laidlaw, President, The Empire Club of Canada and CEO, St. John Council for Ontario and Isabel Bassett, Chair and CEO, TV Ontario.

Betsy MacKinnon, Teacher/Librarian, Jackman Public School, Bill Laidlaw, President, The Empire Club of Canada and CEO, St. John Council for Ontario, Willis Blair, Honorary Director, The Empire Club of Canada and a Member of the Head Table Reception Committee, Jocelyn Badovinac, UE, MEd, DH, Retired Specialist in Special Education and Volunteer, The Empire Club of Canada and Felipe Allendes, Honours Student, Humberside Collegiate Institute.

Courtney Pratt, CEO, Toronto Hydro, Mark Palmer, President/Owner, Palmer & Company and Bill Laidlaw, President, The Empire Club of Canada and CEO, St. John Council for Ontario.

Bill Laidlaw, President, The Empire Club of Canada and CEO, St. John Council for Ontario, David MacKinnon, President and CEO, Ontario Hospital Association and Bart J. Mindszenthy, APR, FCPRS, Partner, Mindszenthy & Roberts Communications Counsel and Director, The Empire Club of Canada.

Reverend Kim Beard, Christ Church, Brampton, Tri Nguyen, "A" Average Student, Bloor Collegiate Institute and Jocelyn Badovinac, UE, MEd, DE, Retired Specialist in Special Education and Volunteer, The Empire Club of Canada.

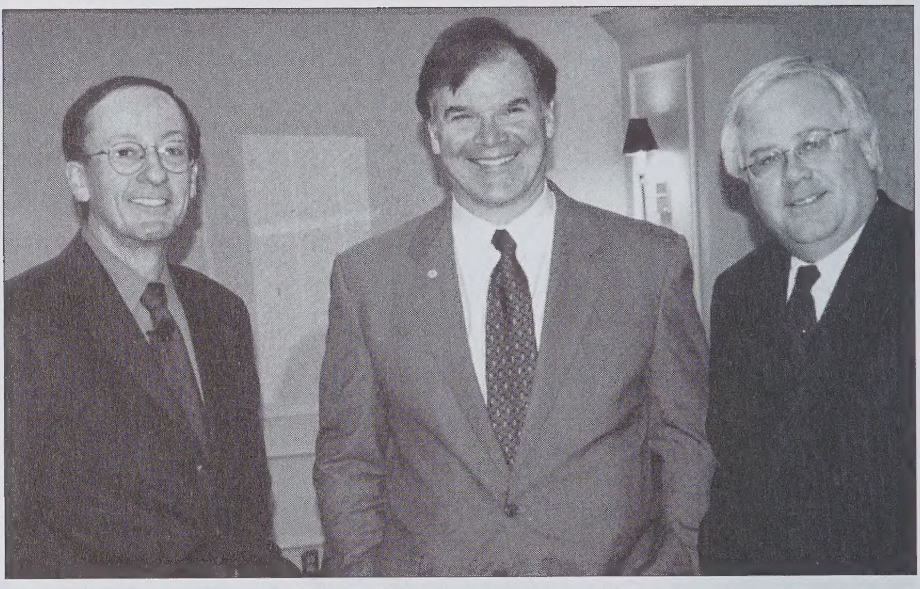
Bill Laidlaw, President, The Empire Club of Canada and CEO, St. John Council for Ontario, Jane Kennedy, MP, Minister of State, Northern Ireland Office and Reverend Edward J.R. Jackman, Canadian Catholic Historian.

William Blundell, Past Director, Export Development Corporation and Former Chair, Manulife Financial, David A. Edmison, Senior Partner, Martin Lucas & Seagram, Chairman, The Empire Club Foundation and Past President, The Empire Club of Canada and The Honourable Barnett Danson, PC, OC, Consultant and Honorary Director, The Empire Club of Canada.

Willis Blair, Honorary Director, The Empire Club of Canada and a Member of the Head Table Reception Committee, Kathryn O'Hara, Former CBC TV and Radio Broadcaster and Holder of the CTV Chair in Science Broadcast Journalism at Carleton University and Jocelyn Badovinac, UE, MEd, DH, Retired Specialist in Special Education and Volunteer, The Empire Club of Canada.

The Reverend Vic Reigel, Christ Church, Brampton and John C. Koopman, Partner, Heidrick & Struggles and 2nd Vice-President, The Empire Club of Canada.

Ann Curran, Director, Corporate Development International and 1st Vice-President, The Empire Club of Canada, Richard H. Brown, Chairman and CEO, EDS, Bill Laidlaw, President, The Empire Club of Canada and CEO, St. John Council for Ontario and The Honourable Bob Runciman, MPP, Minister of Economic Development and Trade for the Province of Ontario.



Michael Vaughan, Host of ‘Bottom Line,” Report on Business Television, John Dowd, President, EDS Canada and Robert J. Dechert, Partner, Gowling LaFleur Henderson LLP and Past President, The Empire Club of Canada.

The Reverend Douglas Kramer, St. Philips Lutheran Church, Andrea O’Shea, Grade 12 Student, Parkdale Collegiate Institute and Stockwell Day, MP, Leader of the Canadian Alliance and Leader of the Official Opposition.

Stockwell Day, MP, Leader of the Canadian Alliance and Leader of the Official Opposition and John Reynolds, MP, Party House Leader, Canadian Alliance and Member of Parliament for West Vancouver-Sunshine Coast.

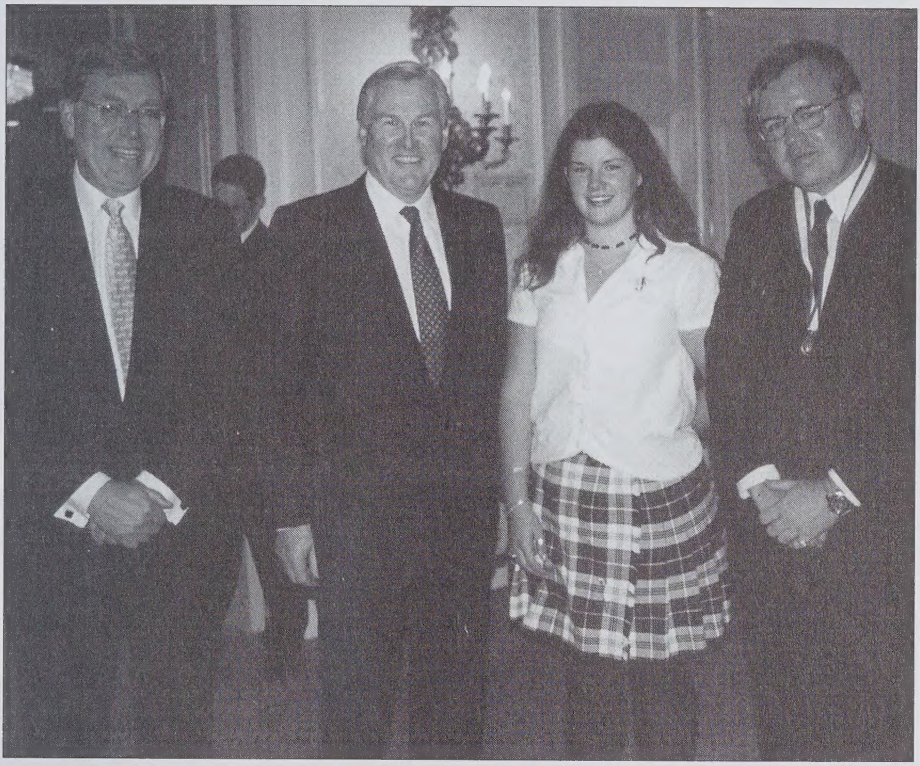
Harley L. Goldlist, CA, President, Serral Consulting Services, Jocelyn Badovinac, UE, MEd, DH, Retired Specialist in Special Education and Volunteer, The Empire Club of Canada, Julie Lissaman, CMC, Chair GTA Chapter, Canadian Association of Management Consultants and Heather Osler, President and CEO, Canadian Association of Management Consultants.

Bill Laidlaw, President, The Empire Club of Canada and CEO, St. John Council for Ontario and Ernie Eves, QC, Vice Chairman and Senior Advisor, Credit Suisse First Boston Securities Canada Inc.

Gord Homer, Deputy Chairman, Scotia Capital Inc. and The Honourable James Flaherty, MPP, Speaker and Guest of Honour.

Dr. Sue Ditchburn, Principal, Havergal College, Gwyne Willmot, LVO, AdeC, Director, The Empire Club of Canada and The Honourable Margaret N. McCain, Former Lieutenant-Governor of New Brunswick and Co-Chair, "Early Years" Report.

Jane Drynan, Chairperson, Canadian Psychiatric Awareness Committee, Canadian Psychiatric Research Foundation, Jocelyn Badovinac, UE, MEd, DH, Retired Specialist in Special Education and Volunteer, The Empire Club of Canada, Edward P. Badovinac, KH, CET, Chairman, The Good Neighbours' Club of Toronto (a day centre for the older, homeless and unemployed man) and Director and Chairman, The Empire Club of Canada Yearbook, The Honourable Margaret N. McCain, Former Lieutenant-Governor of New Brunswick and Co-Chair, "Early Years" Report and Reverend Canon Philip Bristow, Incumbent, St. Phillips on the Hill, Unionville.



The Honourable Tom Hockin, PC, President and CEO, The Investment Funds Institute of Canada and Director, The Empire Club of Canada, The Honourable Michael H. Wilson, Chairman and CEO, RT Capital Management Inc., Elizabeth Laidlaw, Grade 13 Student, St. John's College, Brantford and Bill Laidlaw, President, The Empire Club of Canada and CEO, St. John Council for Ontario.

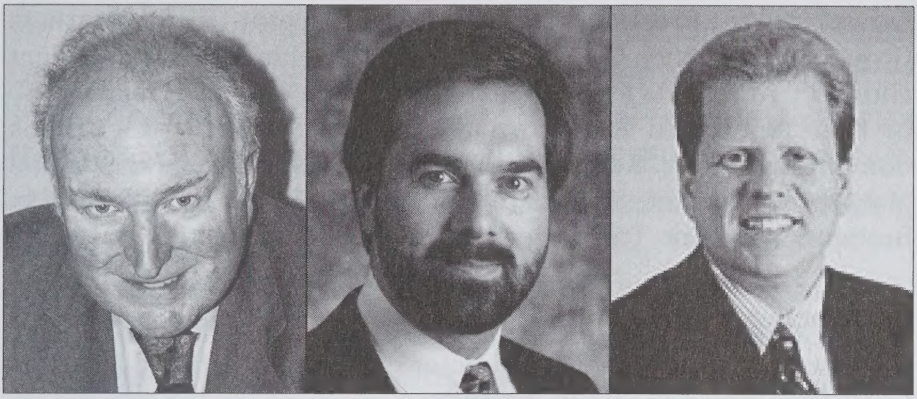
Ewan McArdle, Partner, Ridout & Maybee LLP, Bob Morine, Vice-President and General Manager, Public Sector, IBM Canada, Bill Laidlaw, President, The Empire Club of Canada and CEO, St. John Council for Ontario and Doug Hull, Director General, Industry Canada.

Hugues Goisbault, Consul General of France, Consulate General of France and The Honourable Tony Clement, MPP, (Brampton-West-Mississauga), Minister of Health and Long-Term Care for the Government of Ontario.

The Honourable Thomas Hockin, PC, President and CEO, The Investment Funds Institute of Canada and Director, The Empire Club of Canada and Nicholas LePan, Superintendent, Financial Institutions, Canada.

MGen. Bruce J. Legge, CM, CMM, KStJ, ED, CD, QC, Former Chief of Reserve Forces and Past President, The Empire Club of Canada and BGen. Peter A.G. Cameron, Chairman, Reserves 2000, Former Honorary Colonel and Former Commanding Officer, 48th Highlanders of Canada.

Diane Mavrinac-Ross, 1st Vice-President, Ontario Progressive Conservative Party, William J. Saunderson, Chairman, Ontario Exports Incorporated and Willis L. Blair, Honorary Director, The Empire Club of Canada.



January 10, 2002

John Arnold

Managing Director, AGF International Advisors Company Limited

Michael T. McHugh

Portfolio Manager, Dynamic Mutual Funds

Jonathan M. Wellum

President, Georgian Capital Partners Inc.

2002 INVESTMENT OUTLOOK

Chairman: **Bill Laidlaw**
President, The Empire Club of Canada

Head Table Guests

Margaret M. Samuel, CFA, Portfolio Manager, Hirsch Asset Management Corp. and Director, The Empire Club of Canada; Michael Scott, Executive Vice-President, Equity Capital Markets; The Hon. Tom Hockin, PC, PhD, President and CEO, Investment Funds Institute of Canada and Director, The Empire Club of Canada; Horst Hueniken, Vice-President and Director, TD Newcrest; William F. White, President, IBK Capital Corp.; Joseph J. Oliver, President and CEO, Investment Dealers Association of Canada; Gerald C. Throop, Executive Vice-President and Managing Director, Equity Markets Group, Merrill Lynch Canada Inc.; Blake C. Goldring, CFA, President and CEO, AGF Management Limited and Director, The Empire Club of Canada; David A. Brown, QC, Chair, Ontario Securities Commission; Jim C. Kelly, Director, Fixed Income Sales, RBC Capital Markets; Grant Kerr, Associate Minister, St. Paul's United Church, Brampton; and Eric Tripp, Vice-Chairman, BMO Newbitt Burns Inc.

Introduction by Bill Laidlaw

John Arnold is the Managing Director of AGF International Advisors Company Limited in Dublin, Ireland.

His expertise in fund management spans over 30 years, 24 of which were spent in London, England. The AGF European equity class, his prime fund, was voted the best regional equity fund at the recent Canadian mutual fund awards.

In the early 80s he worked for one of the U.K.'s largest life insurers. In 1982 he joined Crown Financial Management and since then he has travelled extensively to evaluate markets prior to planning his annual strategy.

John Arnold

Mr. President, ladies and gentlemen, it is an honour to address this august body, although my message is muted, as 2002 will be a modest year for equity markets.

Consensus is that 2002 will be a low-inflation year globally driven by low fuel prices. At current valuations, fund managers need more than one year of low inflation certainty. If economic confidence begins to recover in early 2002 then fears will begin to arise over inflation in 2003 and the resulting tightening of interest rates by central banks. In the old days in London it was referred to as the "Grand old Duke of York; he marched them up to the top of the hill then he marched them down again!" Also, markets remain hostage to the war on terrorism rolling over into an assault on Iraq with the resulting uncertainty for oil prices.

So lets talk about productivity. We have done some work using statistics on relative productivity. Japan led with productivity gains in the 1970s and early 1980s and we were all buying books on Japanese management techniques. With the Japanese markets surging the perception was confirmed. The U.S. was designated as a "Banana Republic" in terminal decline exactly at the time that a relative change had commenced in productivity favouring the U.S.

At the end of the 1990s the U.S.A. was all dominant, Japan had shown no economic growth for a decade and everyone was reading books about Jack Welch and Bill Gates and the U.S. productivity miracle.

Europe was a continent embraced by "bureaucratic sclerosis" and not a contender with its trade union dominance and socialist governments. And yet, in the same way that nobody noticed the changing of the leadership of relative productivity gains at the end of the 1980s from Japan to the U.S., so the relative productivity baton has been passed to Europe unheralded. The business opportunity of the decade will be to become the guru of European management style with a series of books explaining the new Holy Grail of caring, sharing, consulting socialist management.

Therefore, my major theme for 2002 is buy European equities that are at a 40-per-cent valuation discount to the U.S. The European stockmarkets, traditionally nationalistic and minor, are now effectively one big stockmarket. European-quoted companies have generated earnings equivalent to 96 per cent of U.S. earnings, but the market capitalisation is 40 per cent less (source: Datastream). The last time the price/earnings gap was as enormous was 1973 and in the following five years Europe outperformed the U.S.A. by 60 per cent.

The growing federal European Union becomes more real every day. The euro currency became money in my pocket within three days of the start of 2002, despite the Irish currency remaining legal tender for another five weeks. Europe has an economy equivalent in size to the U.S.A. with a larger population. The current high unemployment motivates flexibility for future growth. BMW, with plants and sales globally, has been able to strike its best labour deal for flexible working in Germany.

The U.S. market remains overvalued on profit-driven criteria, but, even more frighteningly, Americans have forgotten that the purpose of owning equity is to receive dividends. Dividends should grow each year so that over a long period the income return on equities is superior to bonds.

The yield today on U.S. equities is only 1.4 per cent compared with 2.4 per cent on European equities.

In a bull market capital appreciation appears easy. Therefore, pay no dividends, reinvest the money saved in the company and deliver even more capital growth. Buy up new acquisitions and sell the synergy dream of future profit growth.

Then comes the bear market and corporate management realise that they bought turkeys from that charming and very rich investment banker—but hopefully they cashed in and sold the share options early.

I recently met a U.S. company that had made 13 acquisitions in three years. They had failed to maximise the benefits and overall group profit margins had declined rather than expanded. What of the future? More acquisitions is the strategy because they have a new integration programme which will make new acquisitions more efficient and grow profits. The question of "why, if it has not worked to date" was pushed aside with a very revealing answer: Without more acquisitions the growth rate would be only 2 per cent not the 5-per-cent corporate objective.

The argument that share buy-backs are an effective alternative use of dividend money does not wash when analysis shows that over the last five years only a handful of companies have reduced share capital successfully.

The reality is that 50 per cent of long-term appreciation from equities comes from dividends. The biggest challenge for the U.S. equity market is rebuilding sustainable growth in profits from the rubble of the last five years of the technology bubble. Then the concept that equity is free will has to be replaced with a positive dividend policy.

Could we see a return to a more balanced relationship between income and capital in the U.S.A.? Because corporate profits have collapsed as a per cent of GNP to the low levels seen in the 1980s the potential for a rebound in profitability is enhanced.

Additionally, many U.S. corporations have been so shocked by the rapidity of the profits collapse that the current philosophy of managing for cash generation and paying down debt may result in clean balance sheets in a couple of years if the discipline remains intact.

Cash-generative rather than cash-hungry companies may be more willing to pay dividends.

Therefore, despite the wall of money continuing to accumulate each month in pension plans, the U.S. equity market even with the benign economic recovery may need three to five years to retake previous peaks. Sideways is boring, but, there are plenty of examples of markets after a major bull excess needing a decade to recoup.

On my recent visit to Wall Street the strategists were cautious and sector analysts were uniformly negative on their group of stocks because profits are falling and therefore valuation multiples are rising. As a contrarian, such uniformity of misery would normally make me an avid buyer—not this year though.

There is no relief to be found in Asia. Avoid Japan as it continues to be a basket case with budget deficits and continuing downgrades by the rating agencies. How can you motivate a population burdened with big mortgages and negative equity resulting from 70-per-cent losses on their house purchases after the deflating bubble of 1990?

Beware of the future of the banking sector. Dominoes falling over may be the analogy from March when the government withdraws its protection of deposits from the banks.

Mr. Koizumi may not survive the year as prime minister. I spent an evening with a senior Japanese fund manager who, six months previous, had waxed lyrical about the potential for reforming the economy after Koizumi won his mid-year general election. He was so disappointed by Koizumi's subsequent behaviour that I could not persuade him to discuss politics. Instead we had four hours of unremitting karaoke to forget the dream lost. My rendition of "The House of the Rising Sun" by the Animals was beastial!

In Singapore at a cocktail party I was told the U.S. downturn in high tech was decimating Singapore exports. It was despair for all but the Feng Shui advisors. Innocently I asked: "Why?" "Because they get paid up front," was the answer.

To conclude, economic recovery is to be expected in 2002 but stockmarkets will be challenged by continued overvaluations as a profit recovery needs time to develop. Long live the new Federal Europe, the new relative productivity winner, the only hope for up to 10-per-cent reward in 2002.

Introduction by Bill Laidlaw

Michael McHugh is currently the Portfolio Manager for Dynamic Mutual Funds. In 1996 he joined the Dynamic Mutual Funds investment arm, Goodman & Company investment counsel. He now manages Dynamic's fixed-income portfolios. He also contributed to asset allocation for the Dynamic Partners Fund.

His experience in the investment industry spans over 15 years, beginning in 1986 when he joined Walwyn Stodgell Cochrane Murray as an equity research analyst. In 1989 he joined the Hospitals of Ontario Pension Plan where he managed private debt and equity portfolios. The early 90s he managed fixed-income portfolios for the Ontario Hospital Association Investment Management Incorporated.

His education credentials include an Honours Bachelor of Arts and Master Degrees in Economics. He obtained his Chartered Financial Analyst designation in 1991.

Michael McHugh

Mr. President, honoured head table guests, ladies and gentlemen, good afternoon. It is a pleasure to speak at such a distinguished forum to present my fixed-income outlook. Investors who maintained or increased their weighting of fixed-income securities over the last two years have certainly been rewarded. Capital preservation and single-digit returns once again became an acceptable investment objective. Following two consecutive good years for fixed income the outlook relative to equities does not appear as promising. Nevertheless, a diversified portfolio of bonds should outperform cash this year.

Before reviewing my outlook for fixed income I want to comment on the role of forecasts. We all know there are few certainties when investing and this definitely applies to investment outlooks. Forecasts typically distinguish themselves by their errors of foresight. They may be based on erroneous conclusions or fail to accurately anticipate market volatility or exogenous events. Consequently, market expectations are subject to constant revision. For a forecast to be of value in formulating an investment strategy it must be a fluid process incorporating new information that impacts investment expectations.

To distil market information to create an investment strategy there are two components to my investment outlook. The first is the construction of what I consider to be the most probable economic and policy scenario based on expectations of fundamental developments. The second is overlaying a view of what capital markets are currently discounting. The combination of the two produced the fixed-income outlook that I present to you today.

My base-case scenario evolves from three expected developments. First, global growth in the industrialised countries will experience a modest improvement this year. While there will be exceptions, most notably Japan, the U.S. and Canadian economies appear poised for recovery. Recent evidence suggests that the two economies are troughing but the recovery will likely be choppy and evolve over many months. In the U.S. the contraction in the manufacturing sector, which began a year ago, will reverse but businesses will likely be cautious restocking and ramping up investment spending. Consumer spending should remain positive but will be constrained by record debt levels and a rising unemployment rate. While the situation in Canada is slightly different both economies should achieve moderate growth this year of around 2 per cent driven by firmer growth in the second half of the year.

The second development is that disinflationary pressure will persist containing inflation this year. Slow growth, limited pricing power, unutilised capacity and lower energy prices should permit inflation to decelerate in the first half of the year before gradually rising in the second half. This year inflation will likely be around 1.5 per cent in the U.S. and closer to 1 per cent in Canada.

The last point is that central banks in the major industrialised countries are close to concluding easing policies begun early last year and the Fed will likely be on hold by the end of this month. It is probable that the Fed will be the first central bank to raise rates but not before the second half of the year. Based on expectations of slow growth and the absence of inflationary pressures I anticipate the Fed will exercise patience before raising rates, and once initiated, rate increases will be gradual. As it did during the easing cycle I expect the Bank of Canada will lag the Fed when implementing a higher rate policy.

Based on this scenario and taking into account what capital markets are currently discounting, my fixed-income outlook is characterised by the following four themes.

First, the yield curve will be flatter but this trend will not unfold until later in the year. Capital markets appear to be pricing in a robust economic recovery this year. This is reflected in the aggressive central bank tightening currently discounted in forward curves over the next 12 months. However, this would appear premature. Following a recession monetary tightening typically awaits evidence of re-accelerating growth and tends to be gradual. This suggests value currently resides in short-term bonds. Similarly, longer-term bonds are likely to experience periodic rallies over the near term in response to evidence contradicting a steady economic recovery. Later in the year forward-looking expectations should support a sustainable flattening of the yield curve. Consequently, as the year progresses risk resides in the front end of the yield curve.

Canadian two-year yields could rise another 100 basis points to hit 4 per cent by year-end. Pressures in the long end of the yield curve will be relatively limited which takes me to my second point.

Modest growth, the absence of inflationary pressures and the suspension of long Treasury issuance will limit the rise in long-term U.S. bond yields and result in a flattening of the 10-to-30-year yield curve. The long end of the Canadian yield curve should experience a similar flattening. Certainly as the year progresses bonds will be vulnerable to further price erosion as economic statistics confirm improving economic growth but the downside should be limited for the reasons just mentioned. While the risk to long bonds this year is for higher yields I expect 2002 to be characterised by consolidating price activity. Long Treasury yields are likely to be concentrated within a 5-to-6-per-cent range during the year.

My third theme addresses Canada's relative performance. Government of Canada bonds should outperform Treasuries this year as 10-year yields converge from the current 30-basis-point spread. Four factors support this view. First, overnight lending rates are likely to converge as the Bank of Canada catches up with the most recent Fed rate cuts. Second, the Canadian recovery is likely to lag the U.S. Third, the Canadian government will adopt a less stimulative fiscal policy than the U.S. and fourth, Canadian inflation is likely to remain below the U.S. rate. With the Canadian dollar currently at $1.60 versus the U.S. dollar I believe the odds favour Canadian bonds will do even better on a currency-adjusted basis.

Lastly, I expect a diversified portfolio of corporate bonds to outperform government bonds this year. While corporate-bond spreads have already contracted from their recent wides of last September a more stable economic environment will contribute toward tighter corporate-bond spreads over the course of the year. Near-term, corporate-bond spreads are vulnerable to deterioration in equity markets as well as unforeseen supply pressures. However, any widening of spreads will provide investors with attractive buying opportunities. As always, this does not eliminate the need for diligent credit analysis. Pressures on ratings and earnings will likely continue over the next few months suggesting that investors must remain attentive to specific credit concerns. The recent credit downgrades, which has broadened the universe of BBB bonds in Canada, offer many candidates that will likely experience significant spread compression in a more stable economic environment.

From these four themes the most dominant negative impact on fixed-income returns will originate from the flattening of the yield curve. I expect the two-to-30-year yield curve to compress from its current 250 basis points to below 150 basis points by year end. The small capital erosion resulting from this bear flattening will be offset by coupon income and gains in the corporate sector to generate around a 4-per-cent return for the Canadian bond market this year.

As with all forecasts there are risks not reflected in the base-case scenario. The biggest upside risk is the failure of consumers to sustain positive spending growth under the weight of high debt levels and rising unemployment. This of course would be a positive for the bond market. The biggest downside risk is a rapid global economic recovery and a U.S. dollar reversal that would push the entire yield curve higher.

Finally, we must always be alert to unforeseen events that cause a dramatic re-pricing of capital markets. Rare is the year that does not include surprises for the investor. To these we can only be responsive and flexible to avoid being adversely affected by rigidly adhering to earlier biases. It is by following this discipline that determines an investor's success rather than the accuracy of their forecasts.

Thank-you for your attention and may you have a profitable year.

Introduction by Bill Laidlaw

Jonathan Wellum is currently the Chief Executive Officer and Director of Georgian Capital Partners. Georgian Capital provides investment advisory services to AIC Limited for the AIC diversified Canada Fund and the AIC American Advantage Fund. Both portfolios represent approximately $4.6 billion in assets.

Formerly the President of AIC Limited, Jonathan spent nine years with the company and was recognised as being one of Canada's leading mutual fund managers. Twice he was named "fund manager of the year," first in 1995 by the investment executive publication and then again in 1997 at the Canadian mutual fund award gala.

Jonathan holds a B.Comm and MBA from McMaster University and a BSc from the University of Waterloo. He completed his formal education with an MA in Theology and Philosophy from Trinity Seminary in Chicago. He also holds the CFA designation.

Prior to joining AIC, Jonathan developed and honed his expertise in the Canadian and U.S. markets through his tenure in corporate accounting at Delloite & Touche and Cumis.

Jonathan Wellum

Introduction

Thank you for this opportunity to express my views concerning the overall market and some opportunities in the Canadian equity market. I am reminded of several expressions before I start to become too predictive in regards to my thoughts.

(1) Talk is cheap. Supply exceeds demand.

(2) Buffett states that forecasters only exist to make fortune-tellers look good.

(3) The first law of economists: For every economist there exists an equal and opposite economist. The second law of economists: They're both wrong.

Our Investment Philosophy—The Power of Focus

It is absolutely essentially that I briefly articulate to you our core investment philosophy in order to properly set the stage for my comments concerning the TSE and a handful of companies of interest to us.

Our philosophy at Georgian Capital is based on five guiding principles:

1. Leverage long-term trends.

Capital should be concentrated on companies positioned to benefit from long-term secular trends that provide a basis for generating sustained compound growth.

2. Invest in quality businesses.

What are some of the attributes of a quality business?

- Proven and competent management
- Reasonable capital demands
- Long product cycles
- Value-added products or services
- Barriers of entry
- Pricing stability
- Powerful brand equity

- Free cash flow generation
- Strong balance sheet

3. Purchase securities at a significant discount.

What you pay for a position is a key determinant of total return. This is a concept that people appreciate more after the last two years.

4. Avoid over-diversification.

Wealth is created through concentrated well-researched positions.

5. Hold investments for the long term.

Be patient and defer taxes. Delayed gratification can result in greater gratification.

As our partners at AIC Funds say, BUY, HOLD and PROSPER.

General Comments on the TSE 300

Catalysts that support a rebounding economy and healthier stock market include:

1. Significant decrease in energy prices—cash savings to consumers estimated at $45–50 billion in the U.S.
2. Record low real interest rates.
3. Positive sloping yield curve, which is usually a good indicator of a strengthening economy.
4. Significant reduction in inventories over the past year. Should help stimulate capital goods market. Seeing stabilisation and some increases in orders.
5. Easing fiscal policy, deficit financing in Canada and in the U.S. an extra $75 billion in cash flow.
6. Consumer confidence is strengthening after recent lows.

Current Areas of Focus/Opportunities

1. Financial services

Major issues:

(i) Capital markets (trading revenues, corporate finance)
(ii) Consolidation opportunities
(iii) Credit and balance sheet issues
(iv) Demographics/savings products

Major stock ideas:

AGF (leading provider of savings vehicles, consolidation player)

TD Bank/RBC Financial (leading retail banks with exposure to rebounding capital markets with strong balance sheets)

Power Financial (large exposure to both asset management and life insurance products with consolidation opportunities)

2. Media/communications

Major issues:

(i) Continued growth in new services
  (a) High-speed Internet
  (b) Digital television (both cable and satellite)
  (c) Potentially IP telephony
(ii) Advertising recovery
  (a) More pronounced in the U.S., encouraged by a strengthening economy, Olympics and midterm elections
  (b) New digital channels provide opportunity for select few in Canada

Major stock ideas:

Shaw Communications, CHUM and Thomson Corp.

3. Health care

Major issues:

(i) Demographics/aging of population
(ii) Cost containment/growth in generics/record patent expirations
(iii) R&D spending/contract research and manufacturing

Major stock ideas:

Biovail (specialty pharma and generics),

MDS (laboratory testing, pharmaceutical services, R&D equipment SCIEX 10 per cent),
Patheon (manufacturing and pharmaceutical services).

4. Consumer/retail

Major issues:

(i) Private label protects business from competition.
  (a) Strong brands
  (b) Higher margins
  (c) Loyalty programmes
  (d) Exclusivity to destination points
(ii) Value proposition remains the key to most consumer and retail businesses

Major stock ideas:

Loblaw/Weston (Loblaw is one of the best retailers in the world)

5. Industrial/technology

Major issues:

(i) Demand recovery
  (a) Inventory corrections
(ii) Cost-cutting initiatives
  (a) Companies looking to maximise margins with lower sales levels
  (b) Improving asset utilisation rates (outsourcing/automation)

Major stock ideas:

Dupont Canada (manufacturing high-value-added high-margin products integral to many key areas of the economy),
Magna/Intier (outsourcing opportunities still exist in the auto industry)
ATS Automation (helping companies in numerous industries drive up productivity and lower per unit costs)
Celestica (assisting technology companies drive up their asset utilisation through outsourcing and

obtaining scale earlier than they would by keeping manufacturing in-house)

Long-Term Challenge for Canadian Equity Markets

There is a very interesting sculpture above the New York Stock Exchange. This sculpture shows a woman representing integrity standing in the centre of the sculpture with hands stretched out to both sides, holding the world's business at her sides: mechanical arts, electricity, surveyors, and builders on the left, and mining and agriculture on the right—the products of invention versus the earth. Our forbearers understood that wealth is only created within a value-rich environment characterised by integrity.

What does the word integrity mean? Webster's dictionary defines integrity as "an uncompromising adherence to a code of moral values: utter sincerity, honesty, and candour: avoidance of deception, expediency, artificiality, or shallowness of any kind."

What will have the greatest impact on our country and on our ability to create wealth over the next 10 to 20 years has less to do with interest rates and fiscal policy and more to do with our moral values, our civility, our respect for life and our honesty in all affairs of life. The integrity and effectiveness of Canada's future in the world depends ultimately on the integrity and effectiveness of the faith in the hearts and lives of Canadians. Many Canadians after the terrorist attacks of September 11 finally realised that we have too much to live with and too little to live for.

In a nation that has been so richly blessed we would do well to remember the words of the great King Solomon when he states in the book of Proverbs: "Righteousness exalts a nation but sin is a disgrace to any people." You only have to look around the world to see the truthfulness of this statement. Nations in which integrity abounds are nations characterised by peace and prosperity.

Businesses can make investments and allocate capital with a confidence in the laws of the land and the civility of the population.

My prayer is that Canada will be a nation characterised by integrity. May we remember the sculpture over the New York Stock Exchange; when integrity governs, wealth creation follows!

The appreciation of the meeting was expressed by Blake C. Goldring, CFA, President and CEO, AGF Management Limited and Director, The Empire Club of Canada.

The Hon. James M. Flaherty, Deputy Premier and Minister of Finance for Ontario and Bill Laidlaw, President, The Empire Club of Canada and CEO, St. John Council for Ontario.

January 16, 2002

The Hon. James M. Flaherty

Candidate for the Leadership of the PC Party of Ontario

FULFILLING OUR DREAMS: ONTARIO'S PATH TO GROWTH AND PROSPERITY

Chairman: **Bill Laidlaw**
President, The Empire Club of Canada

Head Table Guests

Duncan N.R. Jackman, Managing Director, Fulcrum Investment Company and Director, The Empire Club of Canada; The Reverend Dr. John Niles, Victoria Park United Church and Director, The Empire Club of Canada; Devon Paul, Senior Student, Parkdale Collegiate Institute, Member, Parkdale Student Council and Member, TDSB SuperCouncil; Jeff Adams, Canadian Paralympic Athlete and Principal, Adamsmania Consulting; Jim Ginou, President, Art Printing Company and Fundraising Chair, Flaherty Campaign; Christine Elliott, Partner, Flaherty Dow Elliott Chadwick & McCarthy; John C. Koopman, Partner, Heidrick & Struggles and 2nd Vice-President, The Empire Club of Canada; Tim Hudek, MPP, Minister of Tourism, Culture and Recreation for the Province of Ontario; Senator Condinino, Government of Canada; George L. Cooke, President and CEO, The Dominion of Canada General Insurance Company and Past President, The Empire Club of Canada; and Steven Chapleau, Vice-President, Enertec Canada Inc.

Introduction by Bill Laidlaw

It is my pleasure today to introduce The Honourable James Flaherty. The Honourable James Flaherty has served as the Deputy Premier and Minister of Finance for Ontario since February 2001. First elected in 1995 and then re-elected in 1999, he is proud to serve as Member of Provincial Parliament for the riding of Whitby-Ajax.

I still have fond memories of our first meeting that morning in Toronto on Yonge Street at, I believe, Consumer and Commercial Relations where you were the parliamentary assistant to Norm Sterling.

It was early and my two-hour commute that morning made me late for your meeting. You were very kind and understanding and we talked in general about politics in Ontario and why you ran and the challenges you faced. You impressed me even then with your abilities and your desire to make a difference in Ontario.

I continued to follow your career through the Ministry of Labour, followed by a short stint as Solicitor General and Minister Responsible for Correctional Services, then as Attorney General and Minister Responsible for Native Affairs, and lastly as provincial Treasurer.

That was an impressive climb for an individual so new to the political process.

As Minister of Finance, Minister Flaherty's responsibilities include governing Ontario's $64-billion provincial budget. He also oversees the development of our province's fiscal and economic policies and is responsible for the development of major tax statutes, the regulation of Ontario financial institutions and the Ontario Electricity Financial Corporation.

He is a member of boards representing policy and communications, economic and resource policy, privatisation and he is the Vice-Chair of the Management Board of Cabinet.

His academic accomplishments are equally as impressive as his professional. He graduated from Princeton University cum laude and Osgoode Hall Law School. He was called to the bar in Ontario with honours in 1975. He practiced law for more than 20 years before venturing into the political field.

I also happen to know his lovely wife Christine and their triplet sons who keep them very busy when they are not attending to their business and professional lives.

We are truly fortunate to have him as our guest today.

Jim Flaherty

Thank you very much Bill.

And I thank the Empire Club for extending this invitation to share my thoughts with you today. I plan to speak to you about why I am running for premier of Ontario.

In particular, I want to talk to you about the Ontario economy, and what government can do to turn this province around so that all of our citizens can achieve their dreams.

I thought that Bill's introduction was very kind and flattering. But if you'll permit me, I would like to add a few more personal details that might help you to better understand who I am and why I want to lead this province.

To begin at the beginning, I was born in a log cabin, which I later helped my father build. And I used to walk 10 miles to school through the snow, with no shoes, uphill in both directions.

Well, that wasn't exactly it, but I was born in modest circumstances as the sixth of eight children to two working parents in Lachine, Quebec. We didn't consider ourselves to be either rich or poor, but simply an average middle-class family. My four brothers and I had to save money from our paper routes for spending money.

And I used mine to buy a $52.00 pair of tack skates—which was a lot, in those days. But those skates are part of the reason I am speaking to you today. Because it was at an invitational hockey tournament where I was spotted by a scout from Princeton and was then offered a scholarship.

Now a Princeton hockey scholarship doesn't work exactly like a football or basketball scholarship to a big southern university. I didn't get to major in television and recreation studies, or get a Porsche as a signing bonus.

The scholarships only worked if you maintained good grades, and worked part-time for the university. I worked waiting on tables and in the student laundry. When I came home to Canada to attend Osgoode Hall Law School, I took a part-time job driving a taxi to help pay my way.

I learned a lot at Princeton and Osgoode, but sometimes I think I learned more playing hockey, waiting tables, and driving a cab. But with a degree posted on the wall, I entered the practice of law. I was fortunate enough to enjoy a successful career. I helped start a new firm along with some colleagues. I wrote a text-book on insurance law. And, most importantly, it was through the law that I met my wife, Christine Elliott, who is also a lawyer.

Christine and I were blessed, 10 years ago, with the birth of our triplet boys, John, Quinn and Galen. John, Quinn and Galen are the three biggest reasons that Christine and I left our law practice so that I could run for the legislature. And they are the three biggest reasons why I am running for premier of this province today.

I want our three sons—and every child in Ontario—to grow up in a place where they can fulfil their dreams. Ontario should be a place that gives people choices and opportunity, rewards hard work, and encourages excellence. That is how people's dreams come true.

A lot of people think like this in Ontario today, and Ontario is a place of great opportunity. But, we all remember that it hasn't always been this way. In 1995 hundreds of thousands of Ontarians had lost their dreams to the desperation of welfare. Countless businesses were wiped out, or simply left for greener pastures. Our province became one of the highest taxed jurisdictions in North America and our productivity fell behind.

The resulting misery for the unemployed left behind was palpable in the Ontario of 1995.

While our neighbours to the south were enjoying growth and prosperity, Ontario was wasting away with an economic illness that seemed like it might be terminal. Mike Harris had a plan in 1995 to bring Ontario back. To take what was upside down and turn it right-side up.

Some people said it was too radical. We ourselves called it a revolution. But the proof, as the expression goes, is in the pudding:

- 824,200 more jobs were created;
- 602,000 people have moved from welfare to work; and
- Take-home pay is up 20 per cent.

I believe in the hard work we did. I am proud of the hundreds of thousands of new jobs, and the families that have moved from welfare to the dignity of work. We have allowed more people to achieve their own dreams. We did all of this while bringing fiscal sanity back to Ontario. We went from deficits of more than $10 billion when we came to office in 1995 to balanced budgets beginning in the 1998–1999 fiscal year.

I am proud of this record too.

When Mike Harris was elected we knew that Ontario was over-taxed. Taxes in Ontario were far higher than the jurisdictions we compete with. Liberal and NDP governments were punishing hard work and initiative. We said that taxes had to come down.

We promised tax cuts, and we delivered tax cuts—192 times in six years. I am proud of that.

But the truth is that the job isn't done, and the revolution is not over. Our taxes weren't competitive with the U.S. when Bill Clinton was raising taxes, let alone after the recent Bush tax cut. Our productivity has not caught up with the U.S. The 824,000 jobs we've already created are cold comfort to a Ford worker in Oakville facing a layoff.

To my competitors in this race, who say the changes are over, that we've achieved enough, that it's time to slow down or move on to other things, I say: "Now is the worst time to give up."

Yes, we have come far, but there is still far to go.

When we came to office in 1995 we used to say that the problem wasn't that revenues were too low, but that spending was too high. And we were right. The problem is it hasn't changed. Since we took office in 1995 real spending has not decreased.

After six years of "Tory cuts," we're still talking about Bob Rae's wild, socialist spending. For every dollar we saved, we seemed to find another dollar, or two or three, to spend. Still it was a big change from the Liberals and the NDP.

We slowed the runaway spending growth of the Liberals and the NDP. That was enough to balance the budget, get the unions marching in the streets, and get the Toronto Star to print indignant editorials against the nasty Tories.

Okay, that last thing wasn't much of a change.

But let me make this crystal clear, because it's widely misunderstood and it's a matter of great public importance. We did cut tax rates, but tax revenues have continued to grow. The growth in government revenues was so huge over the last six years that it allowed us to balance the budget while still spending more every year.

Now cutting taxes leads to higher revenues.

We gave people and businesses more incentive by taxing them less. They have responded by producing more and our revenues have increased. The government is now getting a slightly smaller share of a much bigger economic pie. Through these increased revenues, we have been able to spend more money in vital areas like health care and education to help those most in need.

But we must admit that we are still spending too much.

I say "we," deliberately, because I was there and I bear my share of the responsibility. Year after year, we brought down budgets with no overall spending reductions. We should have done more to reverse that. I should have done more.

If my party entrusts me with its leadership, you have my word that I will do more. In the 1995 Common Sense Revolution, we promised to cut taxes, and we did. We were rewarded with another majority government. But in 1995, we also promised to cut spending. After six years, we have failed to reach that goal.

The revolution is not over, and if the members of my party put their trust in me as premier, I intend to finish what we started. Just yesterday I re-committed to balancing the books in Ontario.

I also went further and proposed that we enhance the Taxpayer Protection Act by legislating that 50 per cent of future surpluses in Ontario must be used to pay down the debt. And 50 per cent must be returned to the people it belongs to—the hard-working taxpayers of Ontario.

This means that when more tax cuts and economic growth results in budget surpluses in the future, the surplus won't go to pay for more and bigger government programmes. But back to you, the taxpayer.

Half of it will be returned immediately in the form of a tax rebate. And half of it will go to pay down debt. This will mean lower taxes in the future for ourselves, our children and grandchildren.

Let me be clear. I am not anti-government. I am proud to serve in elected office, and I believe that government has a legitimate role in our lives. A healthy civil society depends on police, hospitals, and schools. Government should be there to look after those who cannot look after themselves.

There are infrastructure projects too large to be undertaken by the private sector and we need regulations to protect the environment, health, and public safety. The problem is, rather than focusing on performing these core roles of government well, governments have a tendency to expand their role into every aspect of society, including things better left to the private sector and the community.

To some bureaucrats and politicians, there isn't a lemonade stand, church rummage sale, or street hockey game that shouldn't be taxed, regulated, or subsidised, and sometimes all three. But every time government gets involved in areas that it should leave to the private sector, to community groups, or to families and individuals, it turns somebody's dream into a bureaucratic nightmare.

Every dollar spent by government is a dollar less spent somewhere else in the economy where it can create more growth. We have to start bringing down spending in real terms and get government back on track doing the things that only governments can do. And doing them better. Not taking over things that others in society can do and doing them worse. We shouldn't just talk about better government, smarter government, or more efficient government. We should talk about less government.

Like our education system, government has to get back to basics.

We also need to make sure that when we spend taxpayers' dollars that we deliver results. I have not been shy about this during this leadership process, either. While others have said that we should not make further changes in education, I have told you that I am appalled with the failure rate of 53 per cent on the grade-three literary test. That's why I announced a programme based on phonics to help us achieve a passing mark on literacy.

I have also said clearly that education should be an essential service, so that our children's education cannot be held hostage by labour disputes. Getting a good education—whether in excellent public schools, or in excellent independent schools, which provide choice and competition—is the key to allowing our children to fulfil their dreams.

I said before that I believe in choices, and I really mean that. That applies not only in our economy, or our education system, but in politics as well. Part of our job as Progressive Conservatives is to make sure that Ontarians have a political choice in the next election.

The people of Ontario can already choose two parties that believe in bigger government and higher spending. On March 23, Progressive Conservatives will decide whether Ontarians will have another choice or merely an echo of the Liberals and NDP.

I think the people of Ontario deserve a choice.

They deserve the choice to support a party that believes government is big enough already. They deserve the choice to vote for somebody who will give them more freedom to fulfil their dreams.

I have had the opportunity to fulfil some of my dreams in life. The dream of running my own business. The dream of starting a family. The dream of doing the best I could, whether it was in hockey, in law, or in public life.

Ontario should be a place where all of our people can turn their dreams into realities. Ontario should be a place that rewards working hard, taking risks, and achieving excellence.

But every time that government intrudes into an area that belongs in the yellow pages, the sphere of someone else's dream disappears.

Every dollar that government takes in taxes is a dollar less in the hands of ordinary people. A dollar less for a family to buy a new Ontario-made minivan, a dollar less for a minimum-wage employee to take a computer course to upgrade her skills, a dollar less for a small business to hire a new employee, a dollar less for a couple approaching retirement to buy a cottage by the lake.

We need to give people the freedom to realise their dreams. The dreams that matter in this province are not those of politicians who dream of their names on some fancy plaque on a building or their picture in the paper handing out a cheque. The dreams of politicians and bureaucrats have a way of crowding out the smaller, personal dreams of our citizens.

Ontario does not belong to any one political party, person or union. It belongs to the people of Ontario. Six years ago I could not have said that to our sons.

Today, we are half way there. Ten years from now, I look forward to telling our children that we have grasped the challenges. That we have stayed the course.

That we have fulfilled our collective vision of a decade of growth for Ontario. And that Ontario has the highest standard of living and the best quality of life in North America.

The Common Sense Revolution started allowing people to achieve their dreams again. We have come far, but we still have far to go. My friends, I invite you to join me on the journey to finish what we have started.

The appreciation of the meeting was expressed by George L. Cooke, President and CEO, The Dominion of Canada General Insurance Company and Past President, The Empire Club of Canada.

Tim Hudek, MPP, Minister of Tourism, Culture and Recreation for the Province of Ontario, Christine Elliott, Partner, Flaherty Dow Elliott Chadwick & McCarthy and The Honourable Jim Flaherty, MPP, Candidate for Leadership of the PC Party of Ontario.

January 17, 2002

The Hon. John Snobelen

Minister of Natural Resources for the Province of Ontario

COURAGE AND WILL

Chairman: **Bill Laidlaw**
President, The Empire Club of Canada

Head Table Guests

The Reverend Dr. John Niles, Rector, Victoria Park United Church and Director, The Empire Club of Canada; Emily Moore-Wickham, OAC Student, Loretto Abbey High School, Employee, Summer Experience Program and Participant, Ontario Ranger Program 2000; Michael Clarke, OC, Theology Student, Wycliffe College; Doug Morris, President, Morris Glass; Fred Dzida, Manager, Ontario Timberlands, Weyerhaeuser; David Milton, President, Ontario Lumber Manufacturers Association; Bart J. Mindszenthy, Partner, Mindszenthy and Roberts Communications Counsel and Director, The Empire Club of Canada; Michael Coren, TV Personality and Political Commentator and Columnist, The Toronto Sun; Tim Millard, President and CEO, Ontario Forest Industries Association; and Norm Bush, Vice-President for Ontario, Weyerhaeuser.

Introduction by Bill Laidlaw

I have had the good fortune of knowing John for many years when I used to be on the circuit for Progressive Conservative functions in Peel and surrounding areas.

John was always there. I would always gravitate to John's corner because he would have such interesting things to say. He was an individual who clearly had a different and thought-provoking view on many issues. He had experienced so many different aspects of life it was difficult to keep up with him.

One thing was clear and that was that he wanted to be a member of Parliament for the Progressive Conservative Party. I don't believe he really cared if it was the federal or provincial party. He wanted it and he worked hard to get the Mississauga West seat and he won it.

John currently represents the new riding of Mississauga West. He was initially elected as MPP for Mississauga North in 1995.

He also served as Minister of Education and Training until 1997, when he was appointed by the premier to his current position as Minister of Natural Resources. As a member in the riding where my former Glaxo Wellcome was located he would go out of his way to assist our company and our industry with numerous issues at both levels of government.

Prior to his election Minister Snobelen spent many years at senior levels within the private sector, managing and guiding several companies, including Jarsno Environmental Incorporated, Mid-Ontario Equipment Limited and also the business consulting firm, the Cameron Group, where he specialised in resolving structural, management and communications issues.

He continues to work with business leaders who are dedicated to bringing about positive change in the global business community.

Minister Snobelen continually involves himself in causes that promote peace and human rights throughout the world such as Hunger Project Canada, an organisation committed to ending world hunger. He is also associated with the internationally renowned President Carter Center in Atlanta, Georgia.

He enjoys success in his personal interests. An accomplished equestrian, his expertise and interest in horses has taken him across the globe.

Having heard Minister Snobelen speak on numerous occasions, I know that his address will be both interesting and informative.

I am pleased to introduce John Snobelen.

John Snobelen

Well thank you, it's good to see so many friends. I'm glad to be here. Bill, the government of Ontario appreciates your contribution for your fishing license, as it's always nice to get that money from someone who wants to be licensed to fish but not necessarily to catch.

I was going to talk to you about wood products because there are many people from the wood industry in this room, but I've known them all now for about four years and they have learned that I know nothing about wood products. So I thought I'd just say: "Wood is good."

I want to talk to you about two things that I've had some experience with—change and change initiatives. I've had the good fortune to be involved in change initiatives in for-profit organisations, not-for-profit organisations (some of those intentionally not-for-profit), in big organisations and small organisations, and a few of you will recall some minor change programmes in government. I have some observations from all of that experience, one of which is that while not all change initiatives fail, many do. They fail by virtue of not achieving the original goal or vision of the people who wanted to create the change. How that usually happens is they set out to make something new possible and then they meet a little resistance. My colleagues could acknowledge this. A little resistance, and then the goal comes down a little bit. It becomes more reasonable and a little more reasonable and a little more reasonable, and then the time-frame stretches out another week and then perhaps another week and perhaps yet another week and in the words of Neil Young: "It starts out real slow and then fizzles out alltogether."

Now some of you may be familiar with this. This is related to that phenomenon: "I'll lose five pounds by the end of the month." And this phenomenon could be important to you because this is still that month when those promises you made yourself on the first of January are still in existence. And in your organisation, no matter what kind of organisation, you either are, or probably will be, facing a change in the near term. In my party I am reminded of the words of Will Rogers when he said he was not part of an organised political party; he was a democrat. But my party is very interested in change at the moment, because we are now in the official leadership race and looking at leadership and leadership issues, and change for our province.

And so, this is an area that is very important to all of us. To me personally, leadership and change have been something that has been very important to me for a long time because I met this extraordinary lady many, many, many years ago, who was of the opinion that the most vital and engaged lives were led by people in the pursuit of making something new possible. What George Bernard Shaw meant, I think, when he said: “For this is the true joy in life, the being used by a purpose deemed by yourself to be a mighty one, the being a force of nature instead of a feverish little clod of aches and ailments complaining that the world will not devote itself to making you happy.”

And she would go on to say that the most vital of the vital, and the most engaged of the engaged, the most powerful of lives were spent in a pursuit of a possibility that wouldn’t happen in that person’s own life. Something that big. And so with that small kernel of knowledge those years ago, I began to think about what it would be like to live in a place where all people, each and every one, with no one left out, could act with power.

And by power, I mean the rate at which your intentions become reality. What would it be like to live in a place where everyone could be engaged in realising their intentions for themselves, their families, and their communities? It would be very, very different. In fact, it would be very quiet, because the only action left to the powerless is complaint. And so a world where people were acting powerfully would be very quiet. In matter of fact, if you’re stuck on the 401, as I was this morning, the only action available is to complain to yourself, unless you have the cell-phone number of the Minister of Transportation.

So I got interested in that possibility. I spent some time working on that and also working on leadership because, folks here's the titbit, you can throw all these management books you have away; you don't manage change; you lead it. In fact the older I get the more certain I get that you don't manage people. You either lead them or get out of the way.

And so, I became interested in leadership and in change, and I spent quite a bit of time gainfully employed in the pursuit of those things. And everything was going along quite splendidly until a little over a decade ago when I got a phone call from someone who asked me if government could change.

Can governments change? Even 15 years ago I knew that governments could change; like the name of government. I knew that could happen. To me at that time elections looked like changing seats in a train. You might find a more comfortable seat but you were still going in the same direction. That's how it looked to me. But I knew the answer to: "Could good government actually change?" The answer was no. I could think of three obvious reasons: One, despite the hard work and best efforts of a lot of very qualified people, it's really tough to bankrupt a government; external stimuli that you and I might have in the private sector from time to time was lacking. Secondly, government is inherently a big organisation. Those of you who have worked in even mid-size companies will know that in any large organisation there is always a procedure, a policy, and perhaps a whole department that has been redundant for at least two lifetimes, but which you simply can't get rid of. Large organisations are good, if at nothing else, persisting. As a matter of fact, I have learned over time that large organisations like government improve so as not to change. But the third and most devastating reason why new governments couldn't change is because the fundamental question of government is different than it is in the private sector. In the private sector, the fundamental question is: What's the deal? But in government, the fundamental question, the one hours and hours and days and weeks and whole careers are spent on is: What's today's story? You see, not just the government of the day, but the opposition parties, the NGOs, the interest groups, the consultants and the media are engaged in this question—what's the story? And the story always has three common elements. It has a hero, that would be us, it has a villain, sometimes referred to as the Liberal Party, and here's the devastating part, all stories have victims. And so if you're engaged in the business of "What is today's story?" you will be in the business of creating victims. Now think about that for a moment. It doesn't matter who spins the story what way: Teacher unions hero, government villain, teachers victims; government hero, teachers unions villains, parents and students victims. And so on and so on in this business of stories. But the bottom line is you cannot create something new. You cannot create a new possibility; you can't make fundamental changes if you are creating and surrounded by victims. It doesn't work that way. And so I was certain, when I still had hair, gainful employment and a decent pension, I was sure the government couldn't change.

But yet there were examples of governments changing from time to time. And the possibilities of our country and our province were very diminished in a world where governments couldn't change. And so when the leader of a third party came along and said he wanted to change, I said: "Oh boy," and jumped on that train and ran in the 1990 election and had my butt handed to me.

But in 1995 the results were a little different. And so we came to power in Ontario with the Common Sense Revolution, a change document. When taxes are going up too fast and too high, improvement is about having taxes go up slower. But that Common Sense Revolution was about a complete change in direction. And I was wrong—

government can change. It did happen but it took some tremendous, tremendous effort. You see we had a vision that was really clear to people, a promise that was really clear, and millions of copies of a detailed platform called the Common Sense Revolution. We had an agreement around the province that something had to change. We had a problem. We were spending a million bucks an hour more than what we were bringing in and folks can relate to that. And importantly, we had a leader who was unwilling to not have to change anything.

Shaw again said: "The reasonable man bends to circumstance; the unreasonable man expects circumstance to bend to his will; all progress depends on the unreasonable man." And by that measure we had a leader willing to be unreasonable, a leader who was able to provide the certainty that called forward courage, from cabinet, from caucus, from the public sector, from people across the province; the kind of courage it took to take on the inevitable resistance to change.

Now it wasn't all roses. Although I know your memory of 1995, '96 and '97 will be very rosy, there were a few rough spots. And we had some change initiatives that kind of fizzled out. But by and large, we proved at least to me, and I think to many people, that governments actually could cause change. Let me give you one small example. It wasn't perhaps reported as extensively as it might have been. In 1994, the Premier said that we will complete the parks and recreation areas in the province, because 85 per cent of the land mass that you and I own, the public land, was over-subscribed. And so my predecessor Chris Hodgson and the Premier kicked off a thing called "Lands for Life," a long consultation with three round tables and everyone who had an opinion on the subject. A couple of years later and these chairmen of the round tables brought back a report that called for a 50-per-cent increase in the parks in area. Huge. Huge. And the political advice of the day was to do one of two things:

accept the report because the government of the day could take credit for everything that was good and pass the blame along on everything that wasn't quite so good. Or, kick off another study. That's always the other political answer. But the Premier did something rather remarkable. He said: "No, this doesn't provide certainty for the forest industry; it doesn't truly, by the measure of 12 per cent, complete our parks and recreation areas. It doesn't meet the objectives. It's great and it's the best we can do by consensus but we are going further. And we're going further right now." He challenged the leaders of the environmental community and the forest industry to join us in actually completing parks and protected areas. In a little over a week, the leaders in those two very different communities got together and made it happen. They didn't take each other on; they took on the status quo in their own organisations. And they created 378 new parks and protected areas, 6.2 million acres, the largest such announcement in the history of North America.

And I wanted to tell you that story today for two reasons. One, when leadership is asked for by government, it's there. We can do those sorts of things in Ontario, not just in forestry but in every act of public life. It's possible, for us to do the currently impossible. The second reason why I wanted to tell you this story is that it was not exactly front-page news. Now I've discussed this with people who use Ontario forest products—those wise people in Europe, in Australia, in Mexico and certainly in the United States—and they're very interested in this unique thing that is happening in Ontario. And yet you probably didn't read much about it in the newspapers or see much of it in the media. Why? No villain, no victims, no story.

Now, the reason why I wanted to spend some time on this today is I have been following the race to be leader of our party, or manager of our party depending on whom you ask. And I have an opinion about all of that. You see if management is the business of getting where we're already going smoothly it is always of interest, but I believe that in this province it is now time to build on what we have done in the last decade. And to go further, to create new possibilities, I think its time for leadership.

I'll give you two examples. In the education system, I saw something like 40 per cent of students in grade 10 can't pass a literary test. Now think about that for a moment. I know that my nephew and my niece benefit from the school system, but I also know that my nephew and my niece would be literate by the time they were 15 with or without a school system because my sisters would make sure that happened. If not, my mother darn sure would. And that's true for a lot of young people across the province.

So 40 per cent of kids who cannot pass a literacy test are the ones who need the school system the most. And so it's time to change, and there are systems available so we can revolutionise education and they are available now. It's time to do it, but that's going to require some tremendous courage because I think there might be some small resistance.

When Tommy Douglas was talking about health care many years ago and said that when there is a tractor accident the farmer shouldn't lose the farm, I don't think he envisioned a system where government ran your well-being, where government was responsible for making your choices, where the health-care system was free but unavailable to some folks. And so it's time for change and we can do that. In Ontario, we could create the best-in-the-world health-care system. We have the people and we have the capacity to do that, but it will require tremendous courage.

And so, as our party looks at its future and the future of this province, I think it's the job of all of us across this province to encourage courage, to look for strong leadership, to look past the story to what is possible, to what we can create together. And I think in our own organisations, in our own families and in our own communities, we have to actively support the kind of courage it takes to make positive change. In the words of Teddy Roosevelt: "Far better to dare mighty things, even though checkered with failure, than to join the ranks of those dim spirits who have known neither great sorrow, nor great joy, for they live their lives in that dim twilight that knows neither victory nor defeat." My friends it is not time for management in this province. It is time for leadership, it is time for new possibilities and it's time to encourage the type of courage that it's going to take to get there.

I thank you for your time today.

The appreciation of the meeting was expressed by Bart J. Mindszenthy, Partner, Mindszenthy and Roberts Communications Counsel and Director, The Empire Club of Canada.

Bill Laidlaw, President, The Empire Club of Canada and CEO, St. John Council for Ontario, Emily Moore-Wickham, OAC Student, Loretto Abbey High School, Employee, "Summer Experience Program" and Participant, "Ontario Ranger Program 2000," and The Honourable John Snobelen, MPP, Minister of Natural Resources for the Province of Ontario.

January 24, 2002

J. Douglas Blakey

Principal, Upper Canada College

A PRIVATE SCHOOL WITH A PUBLIC PURPOSE

Chairman: **Bill Laidlaw**
President, The Empire Club of Canada

Head Table Guests

Tony van Straubenzee, Managing Director, Russell Reynolds Associates and Past President, The Empire Club of Canada; Sebastian Borza, Steward, Upper Canada College; Reverend Canon Greg Symmes, Canon Pastor for the Diocese of Toronto; Fran Lloyd, Head of Student Services, Milton District High School; Pat Parisi, Principal, St. Clements School; Richard Sadlier, Principal Emeritus, Upper Canada College; Cheryl Blakey, Spouse of Mr. Blakey; The Hon. Tom Hockin, PC, President and CEO, The Investment Funds Institute of Canada and Director, The Empire Club of Canada; Karen Murton, Principal, Branksome Hall; Keith Dalglish, Immediate Past President, Canadian Educational Standards Institute; Professor Thomas Symons, Founding President and Vanier Professor Emeritus, Trent University, Peterborough; and Andy Pringle, Managing Director, RBC Capital Markets, Chairman of the Board, Upper Canada College and President, Canadian Foundation for AIDS Research.

Introduction by Bill Laidlaw

When one thinks of a private school or independent school as they are called today, I believe they imagine Upper Canada College (UCC). That is a very difficult thing for me to say, having been a teacher at Ridley College in St. Catharines.

Upper Canada College is an educational institution with a long and illustrious past. It has graduated from its hallowed halls a large number of famous individuals who have gone on to assume leadership roles in Canadian society. Its sports teams over the years have also produced some sensational teams and players.

Upper Canada College also provides an education that is different from what you would find in a public school. I can certainly testify as a former teacher in a boarding school, that being master of a boys' residence for 16 year olds brings character to you, and those you are attempting to supervise. As well, the entire experience of an independent school education such as you would find at UCC is an enriching experience for all those that attend. Some students, of course, find that process difficult or choose not to continue.

I felt it important for the Empire Club to hear from a leading educator in the independent school system, and our speaker Doug Blakey, Principal of Upper Canada College, was my choice.

Before joining UCC, Doug taught biology and environmental sciences at Georgian Bay Secondary School and East Northumberland Secondary School.

He joined the faculty of Upper Canada College in 1975.

Over his almost 30 years spent at Upper Canada College he has coached and supervised numerous extracurricular activities over and above his teaching. He has been the chairman of the science department, senior boarding housemaster and vice-principal academic.

A graduate of the University of Guelph and the University of Western Ontario, Doug currently serves on the boards of directors of the Canadian Educational Standards Institute and the International Coalition of Boys' Schools.

Since 1991 Doug has served as Principal at Upper Canada College, one of the world's leading independent schools.

The school provides an International Baccalaureate Diploma programme that provides students with a stimulating curriculum and has an enrolment of over 1,000 boys from grade one through to high school, including boarding students from all over Canada and the world.

I know that all of you will enjoy hearing about the school from the perspective of its principal. Please join me in welcoming Doug Blakey.

Douglas Blakey

It is an honour to be invited to speak at the Empire Club, a distinguished institution providing a forum for the presentation of ideas and issues that are topical and important to our community. Thank you for inviting me.

I want to begin my address by asking you to imagine if you can the young British colony of Upper Canada, where in 1829 the newly arrived lieutenant-governor, Sir John Colborne, shocked the Legislative Assembly by announcing, under power of his executive authority, that the colony was to have a new school. It would be the purpose of this school to prepare young men for successful study at the colony's new university, an institution which at the time, and until more than a decade later, did not exist. This university—King's College, later to become the University of Toronto—would not open to its first students until 1843.

Colborne's new school, Upper Canada College (UCC), was going to break from the British tradition of offering a classic-centred programme of study. Its first students in 1830 were offered a range of subjects that, arguably, would still form a solid core curriculum for many schools today—including Latin and Greek. He understood that nation building required young men with unusual skills and talents. The boys learned practical skills as well as the poetry of Milton.

But Sir John Colborne's new school was to have a further purpose: It was expected to provide the colony with a body of educated and motivated citizens of leadership and vision, who would prepare the ground for the rich and vital democratic society expected to take root and flourish. This too was a break from the British tradition with which Colborne was so familiar. The great British public schools have never had explicit public purpose as part of their founding documents.

One hundred and seventy-three years since it was established, Upper Canada College carries on in its founder's tradition. But for a school to remain relevant and vital it must adapt. It must seek out the finest educators, and it must recognise that it exists to serve a constituency—which at UCC, we believe, over and above our students and their parents, is our local community as well as the nation and the world beyond. Graduates of our school must compete with the best minds of Malaysia and China, of the European Community, of Egypt and South Africa and the United States The list could go on. We also believe it is important for them to understand that their role is not so much to use education to acquire money, to become defenders of capital, to build a big house, to have a cottage on Georgian Bay, but rather to make the world a better place. At UCC, we speak about our students learning how to do good and how to do well. They learn how to do well through the academic and extracurricular programmes. They learn how to do good through their day-to-day life at the school, their relations with each other at the college, and the community service programme in which they are required to participate. Serving their community is an important public purpose for the students and graduates of Upper Canada College. Their education at the college has as a central tenet, public purpose, such as promoting social justice, protecting the environment, and being engaged in the issues of the day that are worthy of their attention. UCC is not unique in this regard; many schools have excellent community service programmes for their students. Schools do this because, to paraphrase Robert Sternberg and Daniel Goleman, the best predictor of future success is past performance, so we need to help our students learn by experiencing and practising and repeating. At UCC we help our students dream of a better world but we realise it is not enough just to dream, we have to put into practice what we preach.

I was educated in the public system and started my teaching career there. From my experience in both, it seems to me that private schools have more latitude than public schools to dream a bit and to be able to set their own goals and decide what methods they want to follow to attain their objectives. Because they are small and autonomous, they can be flexible and innovative. They can be courageous and take risks. Of course, this also gives private schools more room to make mistakes that can have devastating results. The important challenge for them then, is to "try to get it right." It should also be noted that private schools have a built in measure of accountability because the parents of their students pay fees and if the service isn't worth it, they'll go elsewhere. The best of the private schools abhor complacency as well as self-satisfaction and fight against these with a vengeance.

Each independent school needs to be clear about its fundamental purpose and direction. What are its defining characteristics, its strengths and what is it not? Questions like these are obviously not unique to schools.

Personally, I think there should be an always-present question never far from the figurative surface: How best can the institution, not just its students and graduates, serve the greater public good? I'm not sure that the question of what is in the interest of the greater public good is one with which most schools concern themselves, nor do many schools seem to incorporate this view into everything they do, but I don't really know. I just haven't seen much evidence that this is the case.

It is this very question at UCC that we have spent considerable time contemplating. Long before the book closed on the last century it had become abundantly clear that in a global society the "haves"—whether they were nations, institutions, or individuals—could no longer play their roles from the sidelines. In today's world, "less" is no longer "more," interdependence must replace independence, and "public purpose" must stand alongside "private purpose." There will be few persons in this room who, in the course of their professional lives, have not played a part in advancing the public cause or contributing to the greater good of society. A school can play a vital role in encouraging the growth of such civic-mindedness by modelling it as an organisation. Viewing ourselves as a private school with a public purpose keeps before us at all times the principle that our school needs to find ways of contributing to the greater social good. The school, through its public conduct, exemplifies, if you will, what it asks and expects of its students. At UCC that means modelling, as an organisation, doing good and doing well. I believe it is an important part of the students' education to see how their school conducts itself as an organisation.

UCC has fine students and teachers, a host of dedicated volunteers, exceptional resources and facilities, as well as strong support from parents, alumni and friends. We are able to accomplish a great deal because of these factors. Given what we have been granted, we believe strongly that we should give something back to society, that we should contribute and share, and that we should not be interested just in our own well-being. I believe UCC is an important institution locally and, increasingly so, on a national and international level and it is at all these levels that it should contribute.

Now let me illustrate this ideal with some examples of how, at Upper Canada College, we have translated this corporate public purpose into our programmes.

Today, the college's curriculum is avowedly liberal and global in scope. All students study the International Baccalaureate (IB), a demanding programme of study that encourages original and critical thinking, and not just rote memorisation. All of our students are enrolled in this programme, which is offered by over 1,000 schools in 90 countries around the world and is regarded by the world's leading universities as the finest secondary school diploma programme anywhere available. The examinations the students write are marked not by their own teachers, but by independent educators living throughout the world. And their results are available for all the other IB schools to see. The IB provides the ultimate yardstick by which educators—and parents—can judge the performance of students against the highest international standard. There is no place for mediocrity to hide. There is no way to avoid accountability.

And how have we done? I am pleased to say that, five years into the International Baccalaureate Diploma, UCC has become one of the top IB schools in the world and our students have met the requirements head on. In fact they have distinguished themselves. Adopting this programme for all our student was a high stakes decision—there were significant risks involved—but we felt that they were risks worth taking when measured against the benefits that we hoped would result. What we think we have shown is that in the great halls of western education, Canadian students can hold their own with the world's best.

But an important aspect of our involvement with the IB programme that is germane to my talk today has been our wish to make a "public" contribution to the worldwide IB Organisation. Right from the beginning, this has been a conscious commitment. Our teachers contribute to the IBO as examiners, curriculum advisors, professional workshop leaders, strategic planners and facilitators. Last summer we held the first IB advanced teacher workshop ever offered anywhere. Our teachers then have an opportunity for modelling, on a professional level, our commitment to public purpose. It helps them fulfil the college's goal. I think that's important. The college was also instrumental in bringing the IB schools of Ontario together to form a regional support organisation for independent and public IB schools. A team of UCC boys is organising a student conference to be held this August that we expect will attract IB students from countries around the world. This is to put into practice the ideal and the example for our students of public purpose.

Last year, as a result of a very generous donation, the college was able to set up an exciting new programme known as the Richard Wernham and Julia West Centre for Learning. Its mandate is four-fold:

- To facilitate a greater understanding of the different learning styles and needs of all students at UCC, and to assist them in developing strategies appropriate to their learning profile;
- To provide direct programme support to UCC students with exceptional learning styles or needs;
- To provide professional development and support particularly regarding students' learning styles and needs not only for UCC faculty but for teachers and schools in the broader educational community;
- To permit UCC to be a site for educational research in areas of learning styles and needs, to produce publications and to provide these to the broader educational community outside UCC.

The last two goals for the Centre are the public purpose ones—professional development and research for the educational community at large. By insisting that there is a public outreach aspect to this wonderful new initiative—written right into the donor's agreement—UCC is demonstrating its commitment, with wholehearted support from the donors, to be a private school with a public purpose.

Let me tell you about another UCC initiative that captures all the elements of an exemplary public purpose initiative. Few initiatives have had as much impact on the life of the college as what we call our Horizons programme. This is a venture that we operate in partnership with the Toronto District School Board and the Toronto

Catholic District School Board—and involving a number of their elementary schools in the Regent Park and St. James Town neighbourhoods. Sharing in the project also is Frontier College, a national institution founded over 100 years ago with the purpose of promoting literacy. The Horizons programme has a number of facets to it. More than 170 UCC students meet once a week throughout the school year to tutor, one-on-one, a student from one of the inner city schools. The UCC tutors work in teams of about 30 linking with an entire class and its teacher at one of the designated schools. The teacher is able to direct our tutors specifying the particular needs of the class or individual students each week. About one-third of our Upper School student population is involved, making this not only the largest community service programme, among many, at the college, but the largest single programme of any kind that we offer. Numerous UCC faculty, staff and parents volunteer their help as well. All students benefit—those in the inner city schools and those from UCC—as we work mutually in our area of common concern and expertise: the education of children. The magic of it is that kids are working with kids; it's beautiful to watch.

The Horizons programme is one of the most innovative educational initiatives in the country and it is spreading here in Toronto and to other cities. This year Branksome Hall School has partnered with us and is sending a number of its girls along as part of the programme each week and I'm sure their numbers will increase in the years to come. I'm so pleased to be able to tell you today that two of our graduates from last year's leaving class, boarding students from Montreal now at McGill, have started on their own initiative a Horizons programme at their former school. Isn't this just what you would hope for from your graduates? We expect to see a Horizons programme start in Calgary next year. Based on extensive research, the college also offered a challenging summer academy programme for bright young students from the inner city. The summer programme runs during a five-week period in July and early August. Students start the programme in the summer following their completion of Grade 6 and continue for three summers, "graduating" from the programme just prior to entering grade 9 at high school. This summer over 100 girls and boys from 17 Toronto elementary schools will be studying, joyfully, at UCC.

We have decided to make a significant investment in sport and recreation for our inner-city partners. We have done this through our Horizons programme as part of the public school athletic association in Regent Park and St. James Town. UCC students serve as the coaches; a teacher from each of the participating inner city schools acts as the supervisor. UCC now provides two coaches for each of 10 teams in the league. The Toronto Maple Leafs have assisted us with coaching and skating clinics throughout the season both at our arena and Moss Park Arena and we have just completed a drive programme in co-operation with Toronto LCBO stores to collect used equipment for these boys and girls, many of whom have little or nothing—sometimes not even a hockey stick. There are now a number of inner city students, girls as well as boys, playing hockey with a team in their area. Horizons is another example then of how we put into practice the ideal of public purpose to which we are committed.

The college has had to deal with the tragic knowledge of the possible sexual abuse in the 1970s of a number of its students. Charged with these crimes is one of its former teachers and the case is expected to go before the courts shortly. As you know, UCC is not unique in having to deal with this issue; Canadian churches, residential schools for First Nations children and hockey leagues are amongst the groups or institutions that have learned to their great sorrow that among the ranks of trusted, dedicated people who served as priests, teachers and coaches there were some who, in violation of that trust, had used their positions to exploit the vulnerability of the young people in their charge.

For all of us at UCC this case, regardless of outcome, has been deeply troubling, both in the nature of its allegations and in the implications they hold. In dealing with it there was one consuming principle that guided our actions and that was to seek out and endeavour to do what we will simply call "the right thing." We have been actively assisting the police throughout their investigation, we have been open with the entire UCC community and we have encouraged our graduates to come forward if they have something to report to the police. We have offered professional support to any of our graduates who would benefit from it.

We have initiated an independent review of the college's current policies and practices dealing with the prevention of abuse and harassment. To conduct this study, we have retained the services of The Honourable Sydney Robins and a team of professionals chosen by him. And as we believe that the review will be of value beyond the walls of UCC, we intend to share its findings not only with independent schools in Canada, but also with independent schools globally through the international organisations of which we are a part.

I have given you four examples of where UCC—the institution—has tried to contribute significantly to the public good and I could have talked about several others. But it is time to return to John Colborne.

What would Colborne see today if he could visit our campus? What would his impressions be? I think Colborne would be proud that his vision of a uniquely Canadian school lives on in the form of its students—boys and young men prepared to take on the most pressing issues of our time. John Colborne envisioned a school that would play a central role in the life of Upper Canada. We honour the memory of our founder today by preparing our students so that they have the will, the power and the desire to change the world for the better. But we have been able to take Colborne's vision further by not only focussing on the contribution our graduates should make but by trying to model this imperative, deliberately and consciously as an organisation. In other words, a private school with a public purpose. It is an organising idea for us at UCC that permeates all that we do and how we view the world. It is not just a single community service programme for our students. It is an important part of the education of our students and an opportunity for faculty and parents, because it is authentic, it is real, which is what we believe the education of our students should be. There are a number of organisations, especially in the corporate world, that take on public purpose in exemplary fashion but it is not very common among schools—private or public. I don't really know why this is, but it does seem to me that schools are ideal places for institutional public purpose to take root. There is much work yet to be done and lots of other schools could do more. I would encourage all schools to experience what we have been able to at UCC—the joy of public purpose. I think we all need to contribute to making the world a better place individually and corporately.

Thank you for listening.

The appreciation of the meeting was expressed by Tony van Straubenzee, Managing Director, Russell Reynolds Associates and Past President, The Empire Club of Canada.

January 30, 2002

A joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

Her Excellency, Gloria Macapagal-Arroyo

President of the Republic of the Philippines

ECONOMIC OPPORTUNITIES IN THE PHILIPPINES

Chairman: **Bill Laidlaw**
President, The Empire Club of Canada

Head Table Guests

Ann Curran, Director, Corporate Development International and 1st Vice-President, The Empire Club of Canada; The Hon. Alipio Cirilo V. Badelles, Member, House of Representatives; The Hon. Ralph Recto, Member, Senate of the Republic of the Philippines; The Hon. Francisco L. Benedicto, Philippine Ambassador to Canada; The Hon. Plaridel M. Abaya, Member, House of Representatives; The Reverend Kim Beard, BA, BEd, MDiv, Rector, Christ Church, Brampton and Director, The Empire Club of Canada; Barbara Hall, Chair, National Strategy on Community Safety and Crime Prevention, Justice Canada and Director, The Canadian Club of Toronto; The Hon. Dante B. Canlas, Secretary of Socio-Economic Planning; The Hon. Edmundo O. Reyes, Jr., Member, House of Representatives; Ambassador Robert L. Collette, Canadian Ambassador to the Republic of the Philippines; The Hon. Cynthia A. Villar, Member, House of Representatives; The Hon. Heherson T. Alvarez, Secretary of Environment and Natural Resources; George R. Laidlaw, Counsel, Ministry of the Attorney General, Toronto; Francis Philipp Portugal, Student, Bayview Glen School, Toronto; The Hon. Maurizio Bevilacqua, Secretary of State, Minister of Science, Research and Development for the Government of Canada; The Hon. Manuel B. Villar, Jr., Senate President Pro-Tempore; Gordon K. McIvor, PhD, President, The Canadian Club of Toronto and Vice-President, Public and Government Affairs, Canada Land Co. Ltd.; Rick Waugh, Vice-Chairman, International Banking and Wealth Management, Scotiabank; and The Hon. Brenda Elliott, Minister of Governmental Affairs, Government of Ontario.

Introduction by Bill Laidlaw

Canada has had the good fortune of having the people of the Republic of the Philippines as close friends for many years. Many people of the Republic of the Philippines have immigrated to our country and have prospered since arriving on our shores. I see that there are a number of Philippine-Canadians in the audience today.

My first experience with your country came when President Corazon Aquino came to power over 15 years ago. I remember watching her on television standing up to her adversaries.

I had the good fortune of seeing her speak at the Empire Club in 1989. It was a speech that I will not forget as she brought so much life and energy to her job. More recently we had President Fernand Ramos at the club and his speech was also memorable.

Today we are indeed fortunate to have as our guest the current President of the Republic of the Philippines, Gloria Macapagal-Arroyo. January 20 marks the first-year anniversary of her election victory as President of the Republic of the Philippines.

During her first year in office she faced, and continues to face, many challenges in her role governing a nation of 76 million people.

Her impressive political career began in 1992 when she was elected Senator. She was re-elected Senator in 1995 garnering the highest number of votes in Philippine history.

In 1998 she was elected Vice-President with almost 13 million votes—the largest mandate in the history of presidential or vice-presidential elections. She is the second woman to be elected to the presidency.

Ms. Arroyo is the daughter of the late president Diosdado Macapagal. During her father's presidency from 1961 to 1965, the Philippines was second only to Japan in economic progress.

Ms. Arroyo pursued her academic career in the United States. She attended Georgetown University in Washington D.C. where former U.S. President Bill Clinton was a classmate.

She graduated magna cum laude from Assumption College with a Bachelor of Science in Commerce. She later earned a Master of Arts degree in Economics from the Ateneo de Manila University, and a PhD in Economics from the University of the Philippines.

Ms. Arroyo lectured at the U.P. School of Economics before she entered government service as Assistant Secretary of the Department of Trade and Industry during the Corazon Aquino administration.

She then went on to the position of Executive Director of the Garments and Textile Export Board, where she managed the garment industry to become the top net-dollar earner for the country.

As a senator Ms. Arroyo was integral in bringing economic and social reform to the forefront and was named outstanding senator several times.

It is my pleasure to introduce to you Gloria Macapagal-Arroyo.

Gloria Macapagel-Arroyo

Ladies and gentlemen, I had a productive and meaningful day in Ottawa yesterday. Prime Minister Chrétien and I agreed that this is a good time to expand our trade and investment relations.

And today, thank you for this opportunity to speak at this prestigious forum with such a long and distinguished history. Many world leaders have had the privilege of addressing the members of both the Empire Club and the Canadian Club of Toronto over the years. Considering the strong and friendly relations between Canada and the Philippines, it is not a surprise that among the world leaders who have spoken before this forum are two Philippine presidents—Corazon Aquino and Fidel Ramos.

Our interaction is even more meaningful today. We are strong allies in the fight against terrorism and poverty. We have a special bond with Canada arising from our over 300,000 Filipinos whom you have welcomed as immigrants.

Our economic relations are deep, solid, and robust.

Prime Minister Chrétien accompanied his Team Canada business delegation during its visit to the

Philippines in January 1997, where $31 million in commercial contracts and $469 million in business agreements were signed. In November of that year, the Team Philippines business delegation visited Canada and a total of $1.4 billion worth of agreements were signed.

Since then, Philippine-Canadian business relations have continued to grow.

Total trade between our two countries reached $1.2 billion in the year 2000 or an increase of 45 per cent over 1997. Last month, S.N.C. Lavalin, one of Canada's leaders in engineering and construction, signed an implementation agreement worth C$1 billion to finance, design and construct a light-rail transit extension to the suburbs of Manila. The deal represents one of the biggest agreements signed in Philippine-Canadian history.

There is more in store for our economic relations. Since I assumed the presidency a year ago, we have made progress. Where bigger and richer economies failed, ours has moved forward. Gross Domestic Product grew 3.4 per cent in 2001 and Gross National Product increased 3.7 per cent, one of the highest growth rates in a world where many countries are suffering recession.

Where bigger and stronger currencies collapsed, ours has held firm, even though, as the IMF acknowledges, I am the only president who assumed office following a period of political and economic turmoil who did not ask for an IMF programme.

Indeed, we have gone a long way to bringing our country back on the radar screens of the world. A new cabinet, picked as much for their integrity as for their competence and qualifications, has brought professionalism in public service to new heights. This professionalism is illustrated by the fact that in my cabinet there are seven Harvard graduates, three Wharton alumni, and four veterans of Wall Street.

Much of what the world's investment community has asked of us, we have thus far delivered. The power bill and the money laundering act, long considered litmus tests of our political will to legislate reforms, were put into law, firmly overcoming years of delay. Our public deficit has been placed under control. Interest rates and inflation rates have declined. Interest rates are at their lowest in the last 15 years.

Even recent unemployment rates have shown a decline from 11.6 per cent when I assumed the presidency. In nine months we were able to bring it down to 9.8 per cent.

Leading international credit-rating agencies and multilateral bodies such as NEXI, JBIC, the World Bank, and the Asian Development Bank have all responded to our economic performance by endorsing our enhanced credit worthiness. J.P. Morgan reports that the prevailing decline in risk aversion has allowed the continuous improvement in economic fundamentals in the Philippines to finally shine through.

Even the less complimentary Salomon Smith Barney in its January–February 2002 credit research says: "Increasing risk appetite in 2002 should favour the Philippines among Asian sovereigns."

Salomon Smith Barney characterises the Philippines as "gaining momentum."

It recognises that "economic growth has been resilient largely thanks to strong personal consumption and some well-performing agriculture and services sectors ... this could be bolstered by the government's growing credibility in the eyes of foreign investors ... given the government's commendable performance in 2001, we expect it should stay close to its more difficult targets in 2002."

Salomon Smith Barney probably based its evaluation on our first semester growth which was consumption-led. I think it would be even more upbeat now that it is clear that our full-year growth was investment-led, with domestic capital formation rising 4.3 per cent amidst a world where there is disinvestment in many economies.

As for its statement regarding well-performing agriculture and service sectors, I agree with the adjective with regards to our agricultural sector, which grew 3.9 per cent in 2001. But I think the word "well-performing" is mild with regard to our service sectors, where there was a 20.5-per-cent growth in telecommunications and 7.9-per-cent growth in business services, which includes IT services.

The high growth of our human-resource intensive, skills-intensive service sectors demonstrates that the Philippines is the home of the great Filipino worker. We are the third-largest English-speaking country in the world. We have a work force that is IT-literate and multi-skilled. We have a large labour pool with an educational sector churning out 400,000 college graduates per year, 40,000 of these being knowledge workers like engineers and IT professionals. Filipino professionals are known for having the fastest learning curve of only eight weeks to learn technical skills.

With its highly skilled and highly trainable labour force, the Philippines is an ideal outsourcing partner for IT services. We have already enacted an e-commerce law, a first in Asia. The law regulates the use of electronic technology and penalises cybercrimes such as hacking, even as more bills are in the pipeline to address other security issues and convergence. I am pleased to announce that the Philippines will be hosting e-services Philippines, a major IT-services fair next month in Manila. I would like to invite our Canadian friends to visit this fair.

To promote urban peace and order, the Philippine national police has increased its visibility by hiring 1,700 new policemen, all college graduates, all highly professional.

We are determined to promote efficient and transparent governance. Under the leadership of my cabinet members, government agencies are implementing measures to cut in half the number of signatures required for the delivery of services such as licenses, permits, registration and franchises.

Our local governments have likewise agreed to streamline and slash red tape in order to provide seamless efforts between national and local governments to be investor-friendly.

Let us focus on some examples of trade and investment sectors that offer the brightest opportunities for Canadian businessmen.

We are promoting fast-growing industries where high-value jobs are most plentiful and which can use our most competitive resource—the great Filipino worker. In the area of telecommunications, we are promoting investments in physical infrastructure for high-speed connectivity at low cost. We are also establishing municipal telecommunications centres, and working with mobile phone producers to disperse cell sites to make their services available all over the country. The Philippines, with its 7,100 islands, certainly offers solid opportunities for wireless telecommunications infrastructure.

Tourism is also a growing sector in the Philippines. We are developing eco-tourism and beach tourism sites and projects.

Related to agribusiness, my administration is committed to bringing about countryside development through a modernised and socially equitable agricultural sector. Opportunities for technology transfer in animal breeding stocks, food processing equipment, organic products and irrigation technology are available.

Opportunities also lie in the energy sector. We have an omnibus power law enacted last year to privatise the state-owned national power corporation, break the monopoly of power generation and transmission and to develop electricity in rural areas. This offers solid investment opportunities for Canadian firms that have excelled in the power sector.

In the area of infrastructure, we are looking at private-sector development of our mass-transit systems. This is one of the areas where Canadian expertise in engineering and transportation infrastructure would be welcome. We are also expanding and modernising our airports and seaports, creating opportunities for Canadian investments in design, construction, and equipment.

Housing construction also presents business opportunities, as low-cost housing is one of our key priorities. This offers opportunities for Canadian housing technology that is inexpensive, innovative and adaptable to a tropical climate.

This is the time to capitalise on the deepening convergence of Philippine and Canadian interests by strengthening our commercial relations. Together, we can weather the storm of global recession and achieve mutually profitable alliances.

Thank you.

The appreciation of the meeting was expressed by Gordon K. McIvor, PhD, President, The Canadian Club of Toronto and Vice-President, Public and Government Affairs, Canada Land Co. Ltd.

February 7, 2002

Nicholas Le Pan

Superintendent, Financial Institutions, Canada

FINANCIAL SECTOR REGULATION: PARTNERING FOR SUCCESS

Chairman: **Bill Laidlaw**
President, The Empire Club of Canada

Head Table Guests

Charles S. Coffey, Executive Vice-President, Government and Community Affairs, The Royal Bank of Canada and Director, The Empire Club of Canada; Grant Kerr, Associate Minister, St. Paul's United Church, Brampton; Joanne De Laurentiis, President and CEO, Credit Union Central of Canada; The Hon. Howard Weston, Vice-Chairman, Ontario Securities Commission; Raymond J. Protti, President and CEO, Canadian Bankers Association; The Hon. Thomas Hockin, PC, President and CEO, The Investment Funds Institute of Canada and Director, The Empire Club of Canada; George D. Anderson, President and CEO, Insurance Bureau of Canada and Director, The Empire Club of Canada; Ronald Robertson, Chairman of the Board, Canada Deposit Insurance Corporation; Mark R. Daniels, President, Canadian Life and Health Insurance Association; and Bill Mitchell, Retired Partner, PricewaterhouseCoopers.

Introduction by Bill Laidlaw

The entire issue of the health of our financial institutions in Canada is one that remains permanently in our minds today. We are touched by these institutions every day. The average man and woman at times seem to be working for these organisations. I do at times.

Look at where the bulk of your paycheque goes to when you consider your monthly mortgage and Visa or MasterCard payments. Add to that your life insurance deduction and there is little else left. It is little wonder that all of us watch with keen interest the activities of these huge organisations and how they are managed.

When one considers the number of employees involved in keeping these institutions going and what would happen with a merger or failure, the results could be very major on our society.

Take out employees commuting to their places of work at a financial institution in downtown Toronto and there would be a lot fewer people down here.

Clearly the institutions included in our speaker's portfolio are very major players in our economy.

Today we are very fortunate to have as our guest the person responsible for financial institutions in Canada. He reports to the Minister of Finance.

Knowing his predecessor John Palmer quite well, I have a good idea of the challenges he faces in this job. Just contemplating the merger of the Royal and BMO would keep me up at nights.

Mr. Le Pan was appointed to his current position in September of last year, a very fateful month as you know.

Prior to this post he was appointed Deputy Superintendent of Financial Institutions, Office of the Superintendent of Financial Institutions (OSFI) in May 2001.

He also served in the office as Deputy Superintendent from 1997, his responsibilities being to oversee the supervision programme for banks, other deposit-taking institutions, life and general insurers, and federally regulated private pension plans.

In 1995 Mr. Le Pan joined OSFI as Deputy Superintendent Policy and was responsible for OSFI's input into legislative development, preparation of regulations and guidelines, precedents, identification and analysis of emerging issues as well as various international and Canadian regulatory co-ordination efforts.

In addition Mr. Le Pan served as Special Advisor to the Deputy Minister, Department of Finance leading a task force that finalised a government white paper on the supervisory, deposit insurance and policy holder protector regime and also pursued legislative implementation of the proposals.

Mr. Le Pan holds an Honours Bachelor of Arts degree in Economics from Carleton University and a Master of Arts degree in Economics from the University of Toronto.

It is my pleasure to introduce to you Mr. Nick Le Pan.

Nicholas Le Pan

Mr. Chairman, ladies and gentlemen: I am grateful to The Empire Club of Canada for the opportunity to talk about the Office of the Superintendent of Financial Institutions or OSFI as it is more affectionately known.

I use the word "affectionately" with some hesitation. I think there is a love-hate relationship between the regulator—OSFI—and the institutions we regulate and supervise.

Why is that? I'll get to the hate part later. The love part is because regulation benefits Canadian financial institutions.

A good supervisory system opens doors to Canadian institutions abroad and helps them at home.

Access to foreign markets is easier because host regulators have a high degree of confidence in our regulatory system. And Canadian financial institutions benefit, too, because counter-parties recognise that Canadian institutions are well regulated and well managed.

Good regulation is an important contributor to public confidence and public confidence is one key to financial institution success. Canadians have every reason to continue to have a high degree of confidence in our financial system.

Since becoming Superintendent I have been saying that we have to be highly interested in the success of institutions and their profitability. I have said that profitability is the first line of defence for an institution in managing stresses that come from adverse events—and as we know there are lots of adverse events to contend with in the world today.

I can't tell you the number of people who have commented to me that it is refreshing to hear a regulator say this. Why is that? Does it reflect the Canadian value system where profits are to be mistrusted? In my business, a long-term unprofitable institution is not a safe and sound institution.

I think it is important to challenge some of the perceptions out there about Canada, about regulators, and about our financial institutions.

I spend a lot of time dealing with regulators from other countries. I can tell you that, while Canada is a relatively small player in the world marketplace, we play a leadership role in international efforts to strengthen co-operation among financial regulators, improve global regulatory standards and promote sound regulatory practices internationally. And that benefits us in Canada.

Some of our Canadian values serve us well in this. We are seen as being quietly effective in helping international regulators reach agreement on difficult issues.

On top of that, we run a good system of prudential regulation and supervision.

In its latest report on Canada released two months ago, the International Monetary Fund said the same thing. It reported: "The financial system in Canada is among the most highly advanced and sound in the world, and it is supported by a well-developed regulatory and supervisory framework."

In the insurance world, we were a driving force around the enhanced effectiveness of the International Association of Insurance Supervisors, which brings together insurance supervisors from around the world to co-operate on common issues. The IAIS, as it is called, also allows representatives of financial institutions to attend as observers. I have had surprised CEOs come to me and say, "You know, Nick, I was at an international meeting and I was astonished at the high regard in which

Canadian supervisors are held." The love-hate relationship again.

These international efforts pay off. They help ensure that all institutions—no matter where they are located—are playing by similar rules and standards. That's important for a country like Canada. Also, in our supervisory efforts we obviously don't limit our efforts to Canada, given the scope of many Canadian financial institutions—and there is often expertise elsewhere we can tap into so we aren't reinventing the wheel.

In addition, the more that foreign jurisdictions know about our system and the quality of our people, the more we help to advance the interests of Canadian institutions.

Canada also pushed the creation of the Financial Stability Forum, in the aftermath of the Asian and Russian financial crises in 1997–98. The forum brings together central bankers, finance ministries and financial supervisors to informally discuss potential vulnerabilities in the international financial system and ways to meet them. In early meetings, I am told that members of the forum were careful about sharing their anxieties. But in the three years since it was set up, this is changing, and the forum is turning out to be valuable.

A lot of the value that comes from such international work is the relationships that are developed. On September 11 and the days following, the ability to pick up the phone and talk to my counterparts in foreign countries was invaluable. The same goes for my counterparts, who were calling us to seek our views. This definitely strengthens the global financial system.

The Toronto International Leadership Centre for Financial Sector Supervision is another initiative with significant OSFI participation. In addition to funding from the Government of Canada, the centre also receives support from the IMF, the World Bank, and the Schulich School of Business. Founded in 1998, the centre is unique. Individuals with substantial experience in financial supervision from Canada and abroad help supervisors from around the world hone their leadership skills and build effective supervisory regimes in their countries. This centre of excellence in leadership is located here in Toronto. I'm pleased OSFI's supporting it.

OSFI is also creating a new programme to respond better to requests from foreign supervisors for assistance. We have been inundated with requests to help other countries that want to know more about the way we supervise institutions and more about what we think the keys to success are.

The level of assistance we provide as a result of this programme is expected to increase substantially this year. By helping emerging market economies to improve the stability of their financial systems, OSFI is making an important contribution to their economic development overall. And enhanced financial stability reduces the impact of shocks originating in other markets.

Let's look at another aspect. In the banking world, The Basel Committee on Banking Supervision, which includes supervisors from the most advanced countries, is in the process of completely updating the outmoded rules for setting the minimum required capital for international banks. The Basel Committee has asked Canada to lead the group overseeing the implementation of the new capital rules. This is quite an accomplishment.

And it is not just Canadian regulators who are playing a major role internationally in this regard. Canadian banks are intimately involved because they are often state-of-the-art in various risk-management techniques. So often are Canadian insurers. Canadian banks are well placed to benefit from a more risk-based set of capital rules. Having more risk-based rules is one key to more cost-effective regulation and supervision—and that's what OSFI is doing in a variety of areas. I am sometimes asked what my reaction will be if these new capital rules, once in place, produce less capital requirement than today. Within reason, and with appropriate margin for the fact that no model or set of models can be completely trusted, if the new rules indicate less capital is required for a successful, well-managed institution, my office will not stand in the way.

Now for the part you have been waiting for—the hate part of the relationship. Regulation has benefits—but it also imposes costs.

My job is to meet the mandate that Parliament has given OSFI—to protect depositors, policyholders and creditors from undue loss. That's public confidence. I have to ensure our cost and the way OSFI does business is justified in meeting that mandate. And increasingly we have to be concerned about compliance costs, not just the direct costs of our operation.

I think generally we do run an effective and efficient system. But I cannot say that and relax and go home and come back to work tomorrow complacent. Regulatory systems can become overwhelming.

How does regulation begin? First, problems arise that lead to regulation and the creation of regulatory bodies. These organisations then try to keep their rules up to date often by adding more rules, not removing rules. Exceptions and refinements are introduced and complexity increases.

Sometimes industry is complicit. Refinements are suggested by institutions to better deal with their special circumstances. Eventually, the system can turn into an economic liability. We cannot afford a top-heavy system. I have been saying that regulators need to increasingly focus on what matters.

So, if I hear that Canadian rules are a problem, I get concerned. Sometimes people don't have all the facts when they make their argument, but sometimes people have a point. Suggestions that costs and benefits of our regulatory system are out of whack concern me. This should concern any regulator, but I think it should particularly concern a Canadian regulator. Canada is a small country in world capital markets and we cannot afford an inefficient regulatory system.

International comparisons are a very important benchmark. That's why I've suggested to the insurance industry that we together do more work to compare how our capital rules stack up.

Because I lead OSFI, my focus is on trying to ensure that OSFI has the balance right. We do need rules and we do need to ask questions—uncomfortable questions at times—about the way institutions do things. We need to tell profit-maximising institutions that they can't cut corners in risk-management functions. Sometimes we need to just say no or to use the substantial powers we have been given, especially when safety and soundness is at stake. We sometimes need to add new rules in light of problems that we see. But we also need to remove rules sometimes or to look to other solutions.

Take corporate governance as an example. OSFI has thought about adding a lot of new guidance or rules. Our view was to tell boards what we expect, they will do it, and we will have a better system. Then we realised that we might be re-inventing the wheel. There is a lot written both domestically and internationally on leading-edge corporate governance practices especially for large complex corporations, and good boards take this seriously.

Instead of writing volumes of guidance for boards, OSFI may be able to achieve more, we think, by getting to know the boards of financial institutions better. We want to be a bit clearer about what we think are keys to the successful effectiveness of a board of a financial institution, and to increasingly work with boards when we see them falling short.

For me, effectiveness means directors' understanding their role, the institution and the business. It means their having appropriate interest in risk management and control issues and the views of regulators. It means demonstrating proactivity in dealing with issues that arise. And it means probing and pushing back in their relations with management and the external and internal control functions, including internal and external audit that boards rely on. Many board members are telling me that they think more dialogue with OSFI would be useful to them as well.

And that is as it should be because ultimately it is the job of the board of directors and of senior management to direct and run the institution. That is why OSFI is increasingly stressing strong internal controls and effective governance arrangements, because they help to achieve a cost-effective regulatory system.

There are still some who would say to supervisors, "You have never run anything, you have never been on a board, stick with your knitting." But there are others who recognise that we oversee some 450 institutions in Canada, and that we compare the practices we see. This gives us a perspective that few people have.

We must also be able to rely on other professionals with specific oversight responsibilities, including auditors, accountants and actuaries. As recent international examples illustrate, in the aftermath of business failures sometimes we find that the financial statements had failed to give a reasonable picture of the failed firm's operations and financial condition. Reporting, auditing, accounting and actuarial standards and their application need to reflect today's complex business organisations and sophisticated risk arrangements. And they must adapt more quickly to changes in the business environment and be applied faithfully. OSFI's reliance-based approach to supervision depends on it. The alternative is a much more intrusive and costly supervisory system.

Thus, you can bet that every regulator, including OSFI, is paying attention to Enron, as are a lot of boards and senior management whose job it is to continually reassess whether the procedures in place can be relied upon. We have looked at our rules for the pension plans regulated by OSFI. They don't permit that degree of related party investment. We take some comfort from the fact that our accounting standards are not as rules-based as in the U.S., but we are looking at whether our reliance-based system needs to be strengthened. I have already spoken about our approach to governance, but we will not respond in a knee-jerk way nor do I believe that there is any "silver-bullet" answer.

In closing, let me repeat:

- Canada has a prudential regulatory system that is among the best in the world; this gives financial institutions a competitive advantage.
- Success of institutions, as well as good internal controls, are important contributors to safety and soundness.
- The Canadian brand is recognised around the world as a quality brand; Canadians are punching above their weight in contributing to international financial stability.
- OSFI can't rest on its laurels and won't under my leadership.

Thank you.

The appreciation of the meeting was expressed by The Hon. Thomas Hockin, PC, President and CEO, The Investment Funds Institute of Canada and Director, The Empire Club of Canada.

February 12, 2002

Mike Harris

Premier of Ontario

EDUCATION REFORM IN ONTARIO

Chairman: **Bill Laidlaw**
President, The Empire Club of Canada

Head Table Guests

Margaret M. Samuel, CFA, Portfolio Manager, Hirsch Asset Management Corp. and Director, The Empire Club of Canada; Katy Garner, Grade 10 Student, Barrie North Collegiate Institute; The Reverend Dr. John Niles, Victoria Park United Church and Director, The Empire Club of Canada; Jack Garner, Director, Ontario Go Transit Authority and Former School Trustee; Greg Reid, Chair, Ontario Parent Council; Gary Polonsky, President, Durham College and President, University of Ontario Institute of Technology; Dr. Frederic L.R. Jackman, CStJ, CD, President, Invicta Investments Inc. and Past President, The Empire Club of Canada; Ann Curran, Director, Corporate Development International and 1st Vice-President, The Empire Club of Canada; Lila Mae (Lou) Watson, Former Superintendent and Chair, Education Policy Advisory Committee; William B.P. Robson, Vice-President and Director of Research, C.D. Howe Institute, Director, Organization for Quality Education, Director, Society for the Advancement of Excellence in Education and Member, Post-secondary Education Quality Assessment Board; Dr. Peter Ross, Doctor of Education, Chair, Education Quality and Accountability Office (EQAO) and Chair, Training Colleges, Universities and Policy Advisory Council (TCU-

PAC); and Paul Fisher, Vice-President and Corporate Secretary, CIBC.

Introduction by Bill Laidlaw

I am going to introduce a gentleman who truly needs no introduction. Mike Harris and his government are in the news every day of the week. I do not believe a day goes by when I do not hear his name mentioned.

He and his team have really shaken things up in Ontario and brought back the days when Ontario was the envy of the rest of Canada and much of the world. He has been the leader of a team that has made some tough decisions in managing the ship of state bringing Ontario into the 21st century and returning the province to prosperity.

Loved or hated he is an individual with a clear eye on the future and a desire to make things better for all. As a lobbyist I have had the good fortune of observing him since his entry into the legislature.

I was a frequent visitor to the visitors' gallery in his first term as leader of the then 20 MPPs in the far-right-hand corner of the legislature.

I was there on that lovely Saturday afternoon at the CNE with my two young daughters when Mike Harris became the leader.

I watched him grow and mature as a leader and as a political figure. Those years in opposition were challenging. There was even a time when Mike would rush up to me for a few moments of my time and he did it to everybody because he wanted everybody to know his story of how his party could better govern Ontario.

In June 1995, Mike Harris and his party became the government of Ontario and the Common Sense Revolution was rolled out for all to see. It was clear that our premier and his team were devoted to making these policies a reality in Ontario.

In his first term in office, he proved that he was not, and still is not, afraid to make the tough choices needed to put the province back on track. His government's "blueprint" plan is aimed at ensuring Ontario continues to grow and compete globally.

During his first term in office, Premier Harris worked hard at making Ontario a stronger province. His government cut taxes, reduced red tape and eliminated barriers to growth. Subsequently Ontarians witnessed a growth in their economy and a reduction in unemployment.

Throughout his term in office he has proved continually that he is on the side of the people of Ontario by supporting initiatives to champion small businesses and support tax cuts, by revamping and modernising our health-care system and by making government more accountable and efficient.

Premier Harris is a firm believer in the principles of hard work and respect. He believes that these principles he learned growing up in North Bay have made him the man he is today.

A native of North Bay, Premier Harris enjoys golf and skiing. He is the father of two sons.

As his time as premier of the province of Ontario passes into history and he moves on to quiet retirement in the wilds of Ontario, or to the challenges of a business career or federal politics, I want to say thank you from so many Ontarians who appreciate what he has done for this province and Canada.

We wish you good health and luck in your retirement and know this will not be the last of Mike Harris.

I now have the pleasure of introducing as our guest speaker Mike Harris, Premier of Ontario.

Mike Harris

Thank you.

Over the past few years I've received support from many of you and I want to thank you for your advice and encouragement.

As you know, many of the decisions we've made haven't been easy and some have been controversial. But we took those steps because they were necessary and because they were right.

When we first took office six-and-a-half years ago, we made some tough decisions to move the province forward.

In 1995, government was practising tax-and-spend economics. We changed that.

In 1995, too many people were caught in the welfare trap. We changed that.

And in 1995, employment and confidence were down. And together we changed that.

We reformed the municipal level of government to make it more accountable. We worked hard to modernise our health-care system. We invested record amounts of capital in roads and transit and billions in hospitals and equipment.

But of all the historic changes we made, the most far-reaching and necessary were the ones we made to education. I'm proud of those changes for two reasons.

First, in no other area was there more organised resistance and more money spent by those who strive to preserve the status quo. This may explain why previous governments failed miserably in their attempts to reform the system.

It's hard to make real change happen, especially with endless consultation and a go-slow attitude. Tactics with an objective of really no change at all.

Second, I'm proud of our changes to education because Ontario's schools were crying out for improvement. I believe that no modern society can succeed unless its education system is relevant and delivers excellence. There is no greater leveller in society than a universal education system that ensures equality of opportunity.

So today, I want to talk to you about our schools—about the way they were, what they're like now and what they'll be like in the future.

There's an old saying about education: everyone is for it, but not everyone knows what it's for.

Previous governments claimed to be for education, but you'd never have known it! Instead of learning language skills, schools promoted self-esteem. Instead of giving kids an education, schools pushed students through the system so they could graduate with their friends.

Teachers who wanted to evaluate and measure students' actual learning were fighting a system that put feel-good mediocrity ahead of excellence.

As important as it is to encourage self-esteem, I don't think it should come at the expense of teaching required skills, because when we don't give students the skills they need to succeed, we set them up for failure once they get into the "real" world.

That was the case a few years ago. Back then, businesses told us that some high-school graduates couldn't write a proper job application and that illiteracy was costing companies about $1.5 billion a year. Previous governments measured the success of schools by the size of education budgets, not by how much learning was actually taking place.

Without standardised tests, we had no way of knowing if our kids were learning the skills necessary to succeed or how they were doing versus students in other jurisdictions. The few international tests we did participate in showed declining results for our students.

Parents were disillusioned. They told us that schools were unsafe, that the system was graduating more and more students and educating fewer and fewer of them.

Students knew there was a problem, too. They knew that their futures depended on a great education—one that our schools weren't providing.

Like most parents, I have always disagreed with low standards and so-called social promotion in schools. I believe success is earned, not given, that real self-esteem comes from achievement, not gold stars and that graduation isn't the end of learning, it's the beginning.

When it came to quality, Ontario's education system was slowly crumbling, but we didn't just slap on a few coats of paint or patch some holes. We didn't wallpaper over cracks in the walls like previous governments did. We did what a responsible government should do. We went right down to the system's foundation and rebuilt it.

As soon as we were elected, we took action. We made substantial changes and stuck with them.

We made sure that tax dollars went towards education, not bureaucrats. We scrapped a system that favoured some boards over others, the rich areas of the province over the poor and bureaucracy over classrooms.

We told teachers that we demanded excellence from them, and we created the teacher-testing programme. We told students that we demanded excellence from them, and we measured their progress.

We made sure the world of the classroom was connected to the real world outside the school walls. We modernised the entire curriculum from kindergarten all the way to grade 12. We asked our kids to raise their expectations, and then we gave them the tools to succeed.

To deliver our goals, we had to wrest control of key decisions away from the unions away from the bargaining table and give that decision-making power back to administrators and parents.

Today, many groups now support the reforms that they fought so bitterly against. Six-and-a-half years later, our hard work is paying off.

The final proof is just around the corner. Soon, the students who began school when we rebuilt the system will be graduating. Mark my words: this group will be among the best and the brightest to ever graduate from Ontario's schools.

The students who follow will keep getting better and better. They'll have skills to match the future needs of the market, improving our province's economy and quality of life. And I'm thankful for that, because more than anything, I want to help create a great future for Ontario's kids.

Today I met one of those kids. Her name is Elizabeth Gleason. She lives in Barrie and goes to Monsignor Clair school. Since 1995, our government and Elizabeth have been through a lot together. She's grown up in a system that has been shaped by our vision for education.

In 1995, when we were taking our bold first steps into education reform, she was taking her first steps onto the schoolyard and into junior kindergarten. When our government was rewriting the entire curriculum, Elizabeth was learning to write the alphabet. When she was in grade 1 learning to add one plus one, we were subtracting taxes. Our historic changes to education will help Elizabeth get more out of life. They'll better prepare her for the world of work.

This year, Elizabeth is in grade 5. Her dad tells me that her favourite subject is math. In September she could recognise fractions but by June she'll be multiplying and dividing decimals.

We know this because we've set tough but realistic standards for all Ontario students. Today, kids from Kapuskasing to Kincardine are getting the same great education. Our reforms ensure that all children have an equal opportunity to excel.

Together with this more rigorous, standardised curriculum, we've introduced parent-friendly report cards. Now, Elizabeth's parents will know exactly how well she's progressing.

What can Elizabeth expect to learn in the next few years? First of all, we're going to make sure she has a solid grasp of the basic tools of learning before she goes on to more advanced material. We're going to measure and evaluate Elizabeth's achievement before letting her move on. We're going to give her any help she needs. We owe it to her.

It's not fair to let children fall between the cracks and then brand them as failures. They aren't failures. The system has failed them.

We must catch problems early so students get help when they need it, not when it's too late. The only way to do that is to measure results. The only way to measure results is to test.

That's why we have introduced province-wide standardised tests for students. It's also why we have introduced comprehensive teacher testing ensuring Elizabeth's teachers have up-to-date skills, training and knowledge.

Some people have said that our standardised tests are unfair to kids and that our standards are too high. I disagree.

I think that when you turn a blind eye to struggling kids, you're being unfair to them. I think that when you lower expectations and expect less of our kids, you're being unfair to them.

When you give them a great education, one that sets consistently high standards, that's being fair to them. When you identify and help students who are struggling, that's being fair to them.

That's what they need because the world has changed.

When I was in school, being a good student meant that you did well at spelling bees and flashcards. It meant competing with the students from your class.

Today, success in school might mean co-operating on a web-based project with students from Malaysia. It certainly means competing with students from around the world for spots in the world's best universities.

Our schools, whether we like it or not, are on the front lines of a fast-paced, globally competitive economy. The world isn't going to slow down. It will only get faster.

The only real way students can compete and win in a rapidly changing and competitive world is if we give them the tools to tackle change; the tools not only to change with the times but also to change the very times themselves.

Literacy is the most important of these tools. It's the basis of all learning. In fact, I believe our schools should aim even higher than basic literacy. We should create lifelong learners.

Elizabeth already loves reading and is an excellent writer. She's well on her way.

Because she can communicate well and solve problems, Elizabeth will be able to handle any new challenges. She'll master new skills quickly with minimal training. In fact, she'll not only adapt to change, but she'll have the tools necessary to lead change.

Her excellence will mean that our businesses will excel and our province will excel.

By the time Elizabeth is in grade 8, she will have been extensively tested in reading, writing and math—once in grade 3 and once in grade 6. Her teachers will be able to tell her exactly where her strengths and weaknesses are.

They'll let her parents know, too, because we want parents to be involved in schools. It's important to get parents and teachers talking and working together.

To help out, Elizabeth's folks might join a school council. They'll definitely attend parent-teacher interviews.

Another way we're getting parents more involved is through the first-ever province-wide education survey. I'm proud to say that so far we've received responses from over 90,000 parents. That's an encouraging sign. It tells us that parents want input and are just as concerned about the future of Ontario's schools as we are. We're going to take their feedback very seriously and keep working with them to rebuild and improve the system.

In September 2005, Elizabeth will start grade 9 at St. Joseph's. I want her to be able to join clubs or play soccer for the St. Joseph's Jaguars.

When she steps up to the podium as valedictorian for the class of 2009, she'll be ready to go to post-secondary school or face the challenges of getting a job.

And whether she wants to attend Georgian College or the University of Toronto, I want her to have a place there.

She could be one of the thousands of students who qualify for one of our new Aiming for the Top tuition scholarships. Next year alone, 12,000 students will qualify for those scholarships based on financial need and academic excellence which award up to $3,500 per year to students.

By 2013, Elizabeth will have found a great job and I predict that she'll get that job right away, because her skills will be sharp and in demand.

Elizabeth, who started school when our government was first elected, will be one of the first graduates of a new education system; a system shaped by the hard work of excellent teachers and the input of parents.

Our kids don't need schools run by special interests or unions. They deserve schools led by parents and teachers working together.

Our kids don't need schools torn apart by political infighting. They deserve schools that are focused on the future.

We have to keep working hard, though, to achieve that vision. For the sake of our kids, we can't let the system crumble again. We have come too far and achieved too much to let that happen.

As a parent, I want a great future for my two sons. I want them to grow up happy and safe. I want them to lead fulfilling lives and to continue growing, learning and taking on new challenges.

But as premier, I want that for Elizabeth, too and for every child in Ontario. In fact, that's why I got into politics in the first place.

Today, I want to leave you with some important questions and some challenges for the future of education.

Do we want the best possible quality of life for our children? Do we want them to realise their dreams of a satisfying job, of a home, of feeling good about themselves and of financial security? If so, we need to set standards to help them measure their progress.

Do we want our schools to continue along the path of reform or do we want them to slide back into safe, comfortable mediocrity? If we want excellence, then we must be prepared to continue making tough decisions about who controls the system and continue involving our parents in the process.

Do we want our children to inherit a province with a strong economy? A place where there is opportunity? If so, then we need to continue to make tough choices. We need to keep our taxes, regulations and schools competitive.

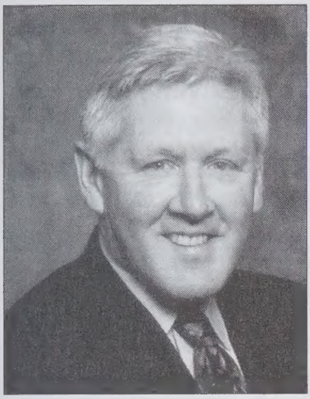
Because by keeping Ontario attractive for investment, we're making sure our kids have more options tomorrow. By encouraging growth today, we're making sure businesses will continue to grow and create new jobs.

By building an excellent universal education system today, we're helping kids like Elizabeth. We're helping students from every town and neighbourhood build a future filled with opportunity and filled with promise—the kind of future they deserve.

Thank you.

The appreciation of the meeting was expressed by Ann Curran, Director, Corporate Development International and 1st Vice-President, The Empire Club of Canada.

Jocelyn Badovinac, UE, MEd, DH, Retired Specialist in Special Education and Volunteer, The Empire Club of Canada, LCol. A.G. (Sandy) Cameron, OStJ, CD, AdeC, Senior Aide de Camp to the Lieutenant-Governor and Director,The Empire Club of Canada and Ken Shaw, National Editor, CFTO Television and Director, The Empire Club of Canada.



February 27, 2002

A joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

The Hon. Bob Rae

Chairman, Toronto Symphony Orchestra

KEEP THE MUSIC PLAYING IN TORONTO

Chairman: **Bill Laidlaw**
President, The Empire Club of Canada

Head Table Guests

Hershell E. Ezrin, Chairman and CEO, GPC International and Director, The Empire Club of Canada; The Reverend Dr. John Niles, Victoria Park United Church; Charlie Cutts, President and CEO, Corporation of Massey Hall and Roy Thomson Hall; Peter Simon, President, Royal Conservatory of Music; Arlene Perly Rae, Wife of The Hon. Bob Rae; Andrew Shaw, President and CEO, Toronto Symphony Orchestra; David Agnew, Principal, Digital4Sight and Director, The Empire Club of Canada; Arthur Scace, President, Canadian Opera Company and Partner, McCarthy Tetrault; Bob Weese, Vice-President, GE Canada Inc.; and Gordon K. McIvor, President, The Canadian Club of Toronto and Vice-President, Public Affairs, Canada Lands Company Limited.

Introduction by Bill Laidlaw

It is my pleasure today to introduce Bob Rae who is going to be addressing our Club on the subject of the new Toronto Symphony.

In the history of the modern world, music and orchestras have played a very important role in the advancement of mankind. All great civilisations have enjoyed music and have advanced the art considerably. You can tell quite often the health of a city by the state of its arts and particularly its symphony.

My interest in classical music started in public school with my grade 8 teacher at Humber Valley—Harry Leroyd—who got me hooked on pieces such as the Grand Canyon Suite. Then it was on to Etobicoke Collegiate and Don Strathdee's band where I played and studied such pieces as Stravinsky's Petrushka.

Teachers can play such an important role in introducing the importance of classical music to young people. They in turn become listeners and potential followers of symphony orchestras like the Toronto Symphony.

Bob Rae served as Ontario's 21st premier and was elected eight times to federal and provincial Parliaments before his retirement from politics in 1996.

Currently Mr. Rae is a partner at the Goodman's law firm where his list of clients includes companies, trade unions, charitable and non-governmental organisations and governments themselves.

He was appointed to Her Majesty's Privy Council for Canada in 1998 and was appointed an Officer of the Order of Canada in 2000. His list of professional memberships is quite extensive.

He is a panel member of the Canadian Internal Trade Disputes Tribunal and is on the International Commercial Arbitrators list of the Canadian Council for International Business and ADR Chambers.

Mr. Rae is the Chairman of the Forum of Federations, Chairman of the Royal Conservatory of Music, the Toronto Symphony Orchestra and the Institute of Research on Public Policy. He also serves as spokesperson for the Leukemia Research Fund.

In addition to serving on numerous committees and foundations, Mr. Rae is an accomplished author; two of his books have been published entitled: "From Protest to Power" and "The Three Questions."

Mr. Rae was born in Ottawa and received his BA and LLB from the University of Toronto and was a Rhodes Scholar from Ontario in 1969. He obtained a Bachelor of Philosophy degree from Oxford University and was named a Queen's Counsel in 1984.

Mr. Rae received an Honorary Doctorate of Laws from the Law Society of Upper Canada in 1998 and from the University of Toronto in 1999.

He is married with three lovely daughters and is truly a unique individual. We are very fortunate to have him here as our guest. I'd like to introduce to you Mr. Bob Rae.

Bob Rae

Thank you very much. You have just demonstrated the proof of what I call Rae's law, which is that the warmth of the reception grows with the distance from political office.

I am delighted to be back at this podium. I see so many friends in the audience from a variety of walks of life active in a number of organisations including the Symphony, the Conservatory, the Ballet, TVO, the Art Gallery and the ROM. The theme of my remarks is that the health of our cultural institutions says a lot about the health of our city itself. The challenge for us is to ask the questions: "What kind of community do we want to live in?" and "How do we intend to build this community together?"

Let me make it clear that I have no political aspirations in giving this speech. Arlene is here to make sure that I stay on the straight and narrow as probably the best known, recovering politician in the city.

I have the good fortune now, in addition to being a partner at Goodman's, to chair two great cultural institutions in the city—the Royal Conservatory of Music and the Toronto Symphony Orchestra. The Royal Conservatory goes back well over 100 years. The Toronto Symphony in its current form is 80 years old. I remember walking down the street not too long ago in the middle of the well-publicised crisis with the Symphony. A woman stopped me in the street and said: "Bob Rae, can you imagine anything worse than the City of Toronto not having a symphony orchestra?" I looked at her and said: "Well, actually I can imagine a few things worse than that. I can. What did you think of the Symphony last week?" She said: "I haven't been to the Symphony in years."

I say this because the Symphony has a new motto: "We are all yours." The Symphony and the Royal Conservatory are civic organisations. They receive support from government but, as I am about to make clear, it is not sufficient to keep them going. I saw a commentator on the news last night talking about support for sports and he said: “In Europe it all comes from the government and in the United States it all comes from the private sector.” In Canada we are kind of caught between these two stools. It is true for sports. It is also true for the arts. We are caught between these two stools. But there’s no point in complaining about it. We have to make do with what we have and make it clear that the challenge is not just one for a few organisations or for a small elite group. The challenge is one for everyone.

Let’s look at the community and see how much it’s changed and perhaps find in those changes some of the explanation not only for the challenges but also for the possibilities. We have gone from being essentially a monocultural city to being a multi-national, multi-racial, multicultural city. We’ve gone from one where men worked and women stayed at home to being a city in which both men and women are working in virtually equal numbers and in which the whole cultural life of the city has been transformed. Thirty years ago when you had tickets to the Royal Alex, you had tickets to the Ballet, you had tickets to the Symphony, and that’s what you did. There were a series of things that you went to and the confines and the boundaries of the city were relatively small. You had Port Credit and other outlying towns but Toronto was geographically a much closer place. So to go to Massey Hall to see the Symphony as a regular subscriber was not a difficult move. The same people went and you knew the people who were going and you went as a group. It was a social and general cultural event.

Now the city has completely changed. None of us should be surprised when we read the headlines in the American newspapers about the fact that the Symphony in Chicago, the Symphony in St. Louis, the Symphony in San Diego and other symphony orchestras are in trouble. The cultural institutions in each one of our cities are subject to an enormous challenge. What is the challenge?

Well it takes a variety of forms. One challenge is that these organisations are not always very well run. And so when I say: "We're all yours," we take the "we" very seriously. We take the importance of working together very seriously, we take the importance of working effectively and efficiently very seriously and we take our responsibilities in terms of our own finances very seriously. That has not always been the case. It isn't possible to have a revolving door of executive directors and say this organisation is doing well. I'm delighted to see that our new president, Andrew Shaw, is with us today. He takes office in March. He has been the President of the Frederick Harris Music Co., Limited for 15 years and what I like about Andrew is that the Frederick Harris Music Co., Limited has always turned a profit under his leadership. And this is something that we expect to start happening on March 11.

The second challenge is that the symphonic form itself has been subject to the accusation that people are no longer interested in this kind of music. We've seen this with the Symphony and we see it with the Royal Conservatory. But let me explain something to you. People in fact are very interested in this kind of music. There are thousands and thousands of children who are taking lessons and who are signing up for the Conservatory exams as we speak. There is an enormous range of people who are learning about classical music every day. I don't accept the argument that somehow classical music in and of itself is what makes the Symphony a declining institution.

The other day I got a call from a CBC reporter who said he was doing a series called "Walking Dinosaurs." I told him I couldn't help him. I didn't work at the Royal Ontario Museum. He said: "I'm doing a series on symphony orchestras in North America and why they are in trouble." There's this perception that somehow the symphonic form and symphonic organisations are unresponsive and incapable of change and in fact represent something that happened in the past and not something in the future. It is something that we have to deal with directly and that we have to recognise as an organisation.

What does it mean? Somebody said that whenever you talk about this it sounds as if you are talking about dumbing down the musical repertory. I'm only the Chairman of the Board and I don't have anything to do with the musical repertory. You will be glad to know I will not be performing in any of this year's performances. This is the challenge that we face in terms of the music we present. But I think that we have to demonstrate in the music that we perform that we are ready to engage the people of Toronto in all of their diversity and in all of their interests. There is a constant process of engagement and mutual education that has to take place.

The comment made by the lady in the street was based on a sort of notion of entitlement. That is to say that we are entitled to have a symphony orchestra and the converse of that seems to be that the symphony orchestra is entitled to have an audience.

No one is entitled to an audience unfortunately. It is a simple fact of life that you have to earn your audience. You have to earn your audience every day. You have to engage the people of Toronto. There is a wonderful comment by the president of the Chicago Symphony Orchestra who said that he asked the electrician who was fixing the lights in his house: "Have you ever been to the Chicago Symphony?" The fellow said: "No, I haven't been to the Chicago Symphony. I don't own a tuxedo."

If the average person in Toronto thinks that it takes a degree to get into the Roy Thomson Hall, that you have to be of a certain social class in order to be able to listen to the Toronto Symphony, then we're in trouble because the makeup of our city is changing. When we say: "We're all yours," we don't just mean that we (all of us at the Symphony) are yours, we also mean that you are part of us. And we have to respond to that in the most creative and positive way.

Now I want to say a word about a couple of myths about the orchestra, a couple of myths about classical music and some things that we need to do. I'm then going to sit down and give some of our musicians a chance to play.

There's a myth that says that this organisation has been badly run and we haven't had support from the private sector. That's why we face the troubles that we face. Well I just want to tell you that in 2001 we received about 20 per cent of our revenue from the three levels of government—the city, the province and the federal government. That compares with 54 per cent from government grants for the Montreal Symphony, 31 per cent for the National Ballet and 24 per cent for the Canadian Opera Company. We get about a fifth of what we need from the government and the Montreal Symphony gets more than half of what it needs from the government. So when people say to me that they have all these recording contracts in Montreal and we hear so much more about them, I say that it is just a different picture there. We have a bigger audience, we have more people buying tickets, we have more people going, we have more performances than they do in Montreal yet we have this different structure. The Quebec government takes a very different attitude and the money just happens to be there for them in a way that it isn't for us.

The other reality is that many people in this room have given generously to the TSO. The major donors to the Toronto Symphony have been more generous and more effective in their giving than to any other arts organisation in Canada. In the last 10 years we more than doubled the size of our endowment and we have year after year raised well over $5 million a year. It's a phenomenal donation and it is a remarkable tribute to the generosity of individuals and to their continuing commitment through difficult times. They have been the lifeblood of this organisation and have made it what it is today in terms of its funding position.

We have a huge endowment compared to all the other cultural organisations. No other cultural organisation in the country can point to an endowment of that size. And yet on the operating side we are facing this continuing struggle. We are going to be focussing on fundraising for the next while. And here's my brief commercial plug. The federal government has said that we can get another million dollars if we can raise a million dollars by the end of June. We have raised nearly $400,000 and we have about $600,000 to go simply to get us to that one-million-dollar mark. If anyone here has their chequebook with them (I'm only half joking) I would say to all of you the commitment that is required to get us there is not an impossible target to reach. There is more that we have to do but it is profoundly necessary and important that people know that we're on our way to that goal and it is going to require an extra boost from the public.

I suppose that all this raises the question: "Why are the arts important to Toronto?" Well I believe that Toronto really is a city that's at a crossroad. As I said at the beginning the place we grew up in has changed tremendously in just a few decades. Our home has grown from a regional centre to a national hub and now we realise that we are at the centre of an increasingly global society. We've managed to preserve a lot of the good things—tolerance, respect for law, respect for one another, respect for our diversity—and we've added an energy that attracts people from around the world. It's been a terrific transformation but we have some clear challenges. Some of us have been worrying about the future of this place. For me the personal clincher was the financial crisis that was faced by many of our arts organisations particularly the Toronto Symphony Orchestra. Whenever we come back from a great city such as Barcelona, Vienna or Paris, we don't think of the big towers and we don't think of the material wealth. We think of the vitality of the cultural life that we've been able to see and experience. It is impossible to imagine a great city that does not have great musicians, great ballet, great symphony and great art. There's no such thing as a great city that doesn't have these things.

Peter Simon was telling me the other day about the founding of the conservatories in Moscow and St. Petersburg in the nineteenth century and how those great musical schools transformed the world of Russian music and transformed our own sense of music. We had a fantastic series of concerts—a wonderful Rachmaninoff and a wonderful Shostakovich. Both these musicians are graduates of Moscow and St. Petersburg. A whole world was created because of the commitment that people made to musical education and not only to musical education but also to musical performance. The two go together.

We have to recognise that we have not only a challenge but we have an opportunity. The opportunity is to do something wonderful with what we have. We have to be playing in a better hall. We have to have better acoustics in Roy Thomson Hall and there's a proposal to renew the Hall. The Conservatory wants to put itself in a position where we can pull together Tafelmusik and the children's choir and have a place where they can perform properly with acoustics that are appropriate. The Glen Gould School and the Learning-through-the-Arts programme need a new facility that takes us through a path from the nineteenth-century facility that we're in. These are all projects that are underway.

I want to say this. It is not a big number. It's not a huge amount that people are looking for. I say to all of you: "What kind of city do you want to live in and what kind of city do you want to leave to your children and grandchildren?"

I can't answer that question for you. I am answering it myself by spending as much time as I have in helping these organisations to grow, to change, to renew and to recognise that you can't do things the same old way. The boards have to get smaller, they have to become more representative, we have to reach out to all the city and all of its diversity, we have to make sure that every cultural group and every individual and people of all backgrounds feel comfortable and at home and feel that the Symphony is theirs, the Conservatory belongs to them, and not just to a small coterie of people. Our success in making this transformation is not up to me. Fundamentally it's up to you. It's up to you in your workplaces; it's up to you in the lives that you choose to lead and the extent to which you are prepared to support these organisations because without support they will die. When someone says to me: "Can you imagine anything worse?" the answer is: "Yes, I can." And I can also tell you how it happens. It happens because of neglect; it happens because people say it is somebody else's job to give and it's somebody else's job to care. That's the beginning of civic decline.

The choice is ours to produce the kind of city we want to live in—one where we can be proud of great institutions, great experiences and great moments. I don't think there's anyone in this room who has not been moved by great art, great ballet or a great piece of music. That's how we express ourselves.

I want to close with a quotation from Duke Ellington who said: "We aren't worried about posterity; we want it to sound good now." And with those words, I want to hear from our friends in the TSO.

The appreciation of the meeting was expressed by Gordon K. McIvor, President, The Canadian Club of Toronto and Vice-President, Public Affairs, Canada Lands Company Limited.

March 5, 2002

Elizabeth Witmer

Minister of the Environment for the Province of Ontario and Candidate for Leadership of the Progressive Conservative Party of Ontario

MY VISION FOR ONTARIO

Chairman: **Bill Laidlaw**
President, The Empire Club of Canada

Head Table Guests

Anne Fotheringham, Private Art Dealer and Director, The Empire Club of Canada; Nathan Kalman-Lamb, OAC Student, North Toronto Collegiate Institute and Editor-in-Chief, "Graffiti"; Reverend Chris King, Rector, Little Trinity Anglican Church; Jan Dymond, Principal, Janus Strategy Group; Scott Witmer, Manager, Manulife Financial and Son of Elizabeth Witmer; William J. Saunderson, Chairman, Ontario Exports Incorporated; John C. Koopman, Partner, Heidrick & Struggles and 2nd Vice-President, The Empire Club of Canada; Diane Mavrinac-Ross, 1st Vice-President, Ontario Progressive Conservative Party; and Neil Selfe, Managing Director, RBC Capital Markets.

Introduction by Bill Laidlaw

I have had the good fortune of knowing our speaker for many years. My first experience was at a meeting to discuss Ontario business issues and the pharmaceutical industry.

My first observations were that she was generally interested in what I had to say and my issues even though they were not Ministry of Labour issues. She wanted to know about everything. She had a knack for making me feel comfortable. I developed an instant positive relationship with her and I believe she has a knack of doing that with a number of people. She is both firm and friendly.

Over the years I have sat with her at numerous dinners and worked with her on policy development. On every occasion it has been an experience where we have enjoyed each other's company and a great deal of information has been exchanged. She is a generally interesting person.

Our speaker brings a great deal of class to Ontario politics as well as a good sense of what is right for Ontarians. I remember her so well in one of my first addresses as President of the Ontario Chamber in Elmira, in her riding. She sat there through the entire speech looking as interested as can be and telling me afterwards what a good job I had done. I had quite a different view of the address but her comment certainly picked up my spirits.

Now a little bit of background on our speaker.

She was appointed to the position of Minister of the Environment in February 2001. Prior to that post she served as Minister of Health and before that as Minister of Labour. For four years before that she was the Labour critic for the progressive conservative Opposition and that is where I so fondly remember her.

During her tenure as Minister of Health, she sought to implement changes to the then current structure of Ontario's health-care system to ensure its ability to meet the needs of a changing and aging population.

In the spring of 1999 Elizabeth was re-appointed as Minister of Health and Long-Term Care. She continued her task of forging a collaborative approach with all health stakeholders while moving forward with primary care reform, the modernisation of our hospitals and a $1.2-billion commitment to expand community services and build 20,000 new long-term care beds.

Her further accomplishments include the introduction of heart health and Alzheimer's, diabetes and stroke strategies in addition to moving the focus from illness to wellness, health promotion and disease prevention. She was also instrumental in the successful programme, Healthy babies, Healthy Children, which provides support to newborns, children and their families.

Elizabeth's political career spans over 20 years. In the early 80s she served as Trustee for the Waterloo Board of Education, including an unprecedented five years as Chairperson. She has received numerous awards and recognition for her service in the community.

Most recently she was presented with the Phillipe Pinel award for her contribution to mental health reform and the humane delivery of mental health services.

I also have had the good fortune of meeting her family and I know how proud they are of her.

I now have the pleasure of introducing to you—Elizabeth Witmer.

Elizabeth Witmer

Well thank you very much Bill for your very kind introduction and let me say ladies and gentlemen what a tremendous pleasure it is to be here today with you.

The Empire Club of Canada has a long and distinguished history. It has certainly been in the past, and will continue to be in the future, a forum for ideas, opinions and pronouncements on the lessons from the past, the issues of the day and of course our hopes for the future. And so I'm quite thrilled and pleased to be here today.

My plan is to share with you my vision for the future of this great province. And let me say at the outset what an honour and what a privilege it has been for me to be a leadership candidate for our party—the Progressive Conservative Party.

This race started (and I can remember when it started) on October 15—my birthday. I can remember trying to make a decision whether or not I would become a candidate for the leadership and talking of course to a lot of people about it. Shortly after I decided to take the plunge I can remember a former colleague of mine from my school board days giving me a bottle of wine and writing me a little note which said: "Elizabeth, enjoy the process and enjoy the people whom you are going to meet in this leadership campaign." I took his words to heart and I will tell you it has been an absolutely wonderful experience for me to travel throughout this great province from Thunder Bay to Timmins to Ottawa to Windsor and everything in between and meet the most fascinating people. It is an experience that I will never ever forget. I want to thank some of you in this room because certainly some of you are the people with whom I have had the opportunity to work.

Anyway let's move forward as we're getting very close now to the finish line. The finish line of course is March 23. We have 18 days and what I want to talk to you about is my vision of the future of this great province.

Today, eight years after the Common Sense Revolution Plan was unveiled, we face new challenges and new opportunities. A new vision and plan are desired to allow the people in Ontario to achieve their dreams and their goals. The future is something we can again get excited about. Today health care and education are issues of great importance to Ontarians. Protecting our environment, economic growth and building strong communities are just as important. This is a new agenda requiring a new approach and new leadership.

This will require a combination of new ideas and a new style of dealing with people on the frontlines and those affected by the decisions that we make. During this leadership campaign I have talked to thousands of people across the province about how we can continue to build a strong and competitive economy in Ontario. That is important if we are to have the financial resources that we need to provide certainty in health, excellence and stability in education, protection of our environment and strong and healthy communities.

As premier, my first step towards this goal of a strong and competitive economy will be to maintain a fiscally responsible provincial government by building on our achievements since 1995. I would begin by reducing and streamlining the number of government ministries. In 1995 the first Mike Harris cabinet had only 18 cabinet ministers. Today there are 24 ministers, a 30-per-cent increase. We must review the need for all the ministries and consider their consolidation. This would save money, increase efficiency and provide better services to taxpayers.

As premier I would also strengthen our economy by developing a comprehensive and integrated provincial transportation plan. We must develop public-private partnerships to invest in infrastructure, both roads and public transit, in order that we can move our goods, our services, and of course our people. This would reduce gridlock, protect our environment and improve the flow of traffic. Our highway network is the link by which our businesses in Ontario get their goods and services to market and if we keep in mind that Ontario exports more than $115 billion or about 90 per cent of all its exports to the United States each year, I think you can understand the need for a good transportation plan. However, our plan must not only increase roads. It must also improve transit. In 1996 gridlock in the GTA alone cost the provincial economy $2 billion a year in lost productivity and delays in getting our goods to market. Now we all know that today the number has grown as the heavy trucks and commuter traffic increases daily.

One of the first steps that must be taken to relieve gridlock and protect the environment is to create viable public-transit alternatives to getting in one car and riding to work. Developing a comprehensive and integrated provincial transportation plan of both roads and public transit is important and it will strengthen our performance. It will also help us to compete and win in the global economy.

I would also encourage the federal government to become partners in this plan and to develop a much-needed national transportation plan as well. Sound transportation policy and streamlining government are key to economic growth but fiscal responsibility is the true hallmark of a Progressive Conservative. This is an absolute priority and it sets us apart from the tax-and-spend Liberals and NDPs.

As premier I would re-confirm my government's support for the Taxpayer Protection Act passed in 1999. In addition to re-confirming my support for balanced budgets, as premier I would include a debt-repayment plan in our next budget. Presently we are spending approximately $8.7 billion on interest payments to service the province's $110-billion debt. That's about the same amount of money that we give to our hospitals each year. And we are in that position because government had decided to reach for its credit card when it came time to provide a new service. It was easier to say yes to debt than it was to say no to whatever demands were being made on the government at that time. Paying down the debt will free up money and it will allow us flexibility to invest in frontline services such as health care, education or the building of strong communities. My plan would commit to significantly reducing the $110-billion net provincial debt over 25 years with five-year interim targets that will provide an opportunity to adapt to changing economic circumstances.

Now, I know that there are those who will say that it can't be done. I heard that said when I implemented a plan in 1995 when I was Minister of Labour to eliminate a $14-billion unfunded liability for the Workers Compensation Board. I'm pleased to tell you that that board today is on schedule to eliminate the unfunded liability by 2014 as I had planned. I will tackle our provincial debt with the same determination and together we will achieve the same results. By taking a breadth of steps to retire the debt we will keep pace with jurisdictions like Alberta where the Klein government expects to eliminate its debt in the year 2025. As premier, I would pursue a strategy of economic growth and prosperity with one goal in mind—making our children better off tomorrow than they are today.

Now if we are to make our children better off we must also ensure that they have adequate housing. As premier, I will pursue a vision of affordable rental and supportive housing that will reduce homelessness, build strong communities and protect victims of domestic violence. To achieve this goal I will make it more affordable for low-income families, seniors and people with special needs to rent, I will encourage the construction of new rental units across Ontario, and I will create more supportive housing for the most vulnerable in our communities. Now in order to make it more affordable for people to rent and prevent homelessness from occurring, we must look at fulfilling the Common Sense Revolution's commitment to introduce a shelter allowance for low-income families, seniors and people with special needs. This programme would focus on the near homeless—those who are most at risk from the widening gap between what they earn and what they can afford. The shelter allowance would be geared to incomes and it would be targeted at those who devote more than 50 per cent of their annual income for rental housing. When fully implemented, the total amount devoted to the programme would not exceed $150 million. In the 1999 report of the mayor's homelessness action taskforce, headed by Dr. Anne Golden, a shelter allowance was singled out as the most effective tool to prevent homelessness for low-income families. The shelter allowance would be in addition to existing government support for those on social assistance and it would be targeted in stages to working with low-income families, seniors and people with special needs over time.

Now stopping homelessness from occurring is only the first step. We need to do more to increase the supply of affordable housing. According to a recent CHMC report, Ontario needs 16,000 new rental units each year just to keep pace with demand. However, changes to federal tax policies, the introduction of rent control legislation by the NDP, changes to the way that projects are financed, and rising development fees have all had a very adverse impact on new investment. And today although there are

16,000 new rental units required each year, less than 1,000 units a year are being built across Ontario. Obviously this is not enough and is of no benefit to cities where new apartment buildings are needed most—cities like Toronto with its 0.9-per-cent vacancy rate.

As premier I will work with the federal and the municipal governments as well as the private sector to create incentives and reduce barriers to the construction of new rental units. We need to keep pace with housing demands in this province. I am prepared to consider tax incentives for the private sector to build new rental units, such as an extension of the PST exemption to include all new multi-residential apartment units, elimination of the provincial capital tax on new apartment construction or putting newly constructed apartments on a level property-tax playing field.

Finally, as premier, I will also give priority for supportive housing to victims of domestic violence and their children. Within my first 90 days in office I will commit to a full review of supportive housing funding for victims of domestic violence and their children. By working together with developers, apartment owners and tenant groups to set the direction, provide the guidance and develop the programme, we can implement outcomes that will make our communities more liveable and rental housing more affordable.

Ladies and gentlemen, in conclusion, let us remember that it was more than just tax levels and balanced budgets that made Ontario a competitive jurisdiction and the best place to live. A strong and healthy community, certainty in our health care, excellence and stability in education and the protection of the environment lead us to a quality of life in Ontario, which is second to none anywhere in the world. These are priorities that people are talking to me about. These are the new challenges, and the new opportunities that we need to focus on if we are to continue to make this province the best jurisdiction in which to live, to do business and to raise our children. Thank you very much.

The appreciation of the meeting was expressed by John C. Koopman, Partner, Heidrick & Struggles and 2nd Vice-President, The Empire Club of Canada.

William J. Saunderson, Chairman, Ontario Exports Incorporated and Diane Mavrinac-Ross, 1st Vice-President, Ontario Progressive Conservative Party.

March 7, 2002

The Hon. Tony Clement

Minister of Health and Long-Term Care for the Government of Ontario and Candidate for Leadership of the Progressive Conservative Party

REJUVENATE, RE-CONNECT, RE-EARN

Chairman: **Bill Laidlaw**
President, The Empire Club of Canada

Head Table Guests

Kevyn Nightingale, CA, CPA, Partner, International Tax Services Group, Treasurer, The Empire Club of Canada and Candidate, National Council of the Canadian Alliance; Balprit Dhillon, Honour Roll Student, Bloor Collegiate Institute; The Reverend Kim Beard, BA, BEd, MDiv, Rector, Christ Church, Brampton; Lynne Golding, Partner, Fasken Martineau Walker LLP and Spouse of Tony Clement; Tom Jakobek, Former Councillor, City of Toronto; Robert J. Dechert, Partner, Gowling LaFleur Henderson LLP and Past President, The Empire Club of Canada; Nicole Eaton, Director, PC Canada Fund; and Tom Long, Partner, The Monitor Group and Chairman, Ontario PC Election Campaign 1995, 1999.

Introduction by Bill Laidlaw

It is my pleasure to welcome back to the Empire Club our guest speaker Tony Clement who appeared on this platform not so long ago addressing the issue of health care in Ontario.

That was of course before the election call. Today we are fortunate to have the minister as our speaker today in our leadership series for candidates for the leadership of the Ontario Progressive Conservative Party.

I have had the good fortune of knowing Tony for many years and I have observed him rise through the party to the position he holds today. He is now after the most senior job in the party and he is working as hard at that as he has done everything in his life.

Whenever I think of Tony I see him working a crowd, knocking on constituents' doors, dashing from one meeting to the next and, most importantly, doing what is right for Ontarians. Certainly on any issue I have worked on with him, he has listened thoroughly, asked keen questions and assisted as best he can.

Whatever happens in this race one thing can be certain: Tony Clement will be a player in Canadian politics for years to come.

For those of you who are not familiar with his background, Tony is the Minister of Health and Long-term Care. He was appointed to the post by Premier Harris in February of 2001.

Prior to his appointment as Minister of Health and Long-Term Care, he was appointed Minister of Municipal Affairs and Housing. He also held the cabinet position of Minister of the Environment where he developed programmes and policies aimed at protecting our environment while encouraging eco-friendly industry and technology.

Minister Clement was first elected as MPP for Brampton South in 1995. He was then appointed by Premier Harris as parliamentary assistant to the Minister of Citizenship, Culture and Recreation. He eventually moved on to become parliamentary assistant to the Premier.

In 1997 he was appointed Minister of Transportation, his focus being to maintain a safe, reliable transportation network, as he saw this as a key component of Ontario's economic vitality and competitiveness.

His academic credentials include a political science degree from the University of Toronto. He completed his law degree in 1986 and was called to the Ontario bar in 1998.

His political career has spanned the globe. He has worked in Central and Eastern Europe as a consultant to western companies and local governments. Minister Clement has helped many small- and medium-size Canadian businesses expand internationally.

His volunteer activities include the Harvard University's project Liberty and the National Democratic Institute.

We are indeed fortunate to have Mr. Tony Clement speak to us today.

Tony Clement

On November 16 of last year, I began a personal odyssey that has taken me thousands of miles across Ontario. It took me into the neighbourhoods and homes of countless thousands of Ontarians.

This adventure left me deeply optimistic about the future of our party and our province. Why?

Because I discovered a respect for a party that can unleash the power of new ideas. Ontarians remember when we did it before. Now they're waiting for us to do it again.

Because I found a longing for our party to reconnect with the hopes and aspirations of Ontarians. They remember when we did it before. Now they're waiting for us to do it again.

And because I found the expectation that we would re-earn the privilege of governing this great province with a vision of where to go and a plan for how to get there.

The people of this province remember when we did all these things once before. Now they're waiting for us to do them again. Well, on March 23, 2002, the Progressive Conservative Party of Ontario will choose a new leader. And for all these reasons, our province is watching.

My party is taking this choice very seriously. That's because the person we choose—one member at a time, one vote at a time—will automatically become the next Premier of Ontario, and—it's often been said—the second most powerful person in Canada.

That's a big job and, if I may say so, we have a good, strong field of candidates taking a crack at it. I'm proud to be among their ranks. These people are my friends. I'm not running against them. I'm running for the job of premier.

After all, our party is a different kind of party and our government is a different kind of government, which means this is a different kind of leadership race, prompted by the retirement of a different kind of leader.

You see, an awful lot of political leaders in other parties never have the grace to step down on their own terms or at the right time. Many of them come to see themselves as indispensable—or worse.

Consequently, many depart the scene the hard way: by getting themselves fired. With cause.

But however they end up leaving the stage, some other political leaders these days leave very little behind, beyond an official portrait and maybe a public building or two in their name.

Mike Harris is different. When he steps down March 23, Mike Harris will leave behind a monument bigger, and grander, and more meaningful, than any that line the median on University Avenue. Mike Harris leaves behind a completely new way of looking at government.

Mike Harris changed the political landscape in Ontario in many ways:

- He got the job by talking about ideas and principles that many experts simply laughed at—at the time.
- He challenged the view that said government revenue was the government's money—not yours or mine.
- He challenged the view that government could only get bigger—never smaller.
- He challenged the view that government could help people better than people could help themselves.
- He challenged the view that politicians never really did in government what they said they would do in elections.
- And he challenged the view that said, "Never ask people what they want from government because goodness knows they might just tell you."

Mike Harris challenged each of these views and ultimately changed all of them. This is his monument, his legacy. And this is the standard that we, who would succeed him, must meet.

That's what makes this leadership succession different from those of other parties. Other parties didn't have a Mike Harris to succeed.

This campaign, I think, has served to remind Ontarians that under Mike Harris, the Progressive Conservative Party of Ontario became a party of ideas. And it must remain a party of ideas.

So it's on this point that any serious successor to Mike Harris must meet three fundamental criteria:

First, they must have ideas.

Second, they must have good, common sense conservative ideas that come from the bottom of our party up—not from the top down.

Third, they must have good ideas that actually work.

But today the bar has been raised higher still. Voters today are more sophisticated than ever before. People are quite rightly asking of their politicians not only, "What's your plan?" but "How will it work?" I've worked hard to answer these questions. To me, it's the test of leadership.

So on January 3 of this year I launched my re-connection tour. I took with me Five Goals for Ontario—the five basic things I believe we must do to build on our success and secure our future. And I took with me a proposition to the people I would meet: "Here are my five goals. These goals are constant—where I know we must go as a people and a province. But how we get there is up to you."

And I told them my goals:

- More jobs in an incentive economy;
- Clean, safe, caring communities;
- Accessible health care for all;
- A "skills culture" for Ontario; and
- Open, efficient government.

Well, in the weeks since that day, members of my party and their neighbours all across Main Street Ontario have come out in force. They've adorned those five goals of mine with their own common sense conservative ideas on how we can reach them. The result is the vision of one who seeks to lead us to our destination, and the values of the many who want to help him get there.

I'd like to talk about them all, but time allows me to choose just one: accessible health care for all.

I asked Main Street Ontarians how we can preserve the universally accessible and publicly funded health-care system that our citizens believe is a fundamental part of who we are as a people. Here's what I was told:

We're tired of the same old, stale, tired debate that either says do nothing, or do something that no one wants and that can't work. Between the status quo on the one hand, and two-tier health care on the other. People said, "Break out of that box!"

We want a health-care system that works with an OHIP card—not an Amex card. Don't give up on the system we have. Make it work!

Work towards seven-days-a-week, 24-hours-a-day health care to ensure people get access to the care they need, when they need it.

Locate family doctors in or near hospitals and keep their offices open longer hours to serve you better and take the heat off our over-worked emergency room doctors, nurses and staff.

Increase the proven partnerships that already exist in the health-care system, built on publicly funded, private-sector providers, for increased efficiencies and greater accountability.

And increase the levy on smokers to ensure they pay more of the cost to us all for their unhealthy, personal choices.

That's how I chose to meet the test of leadership.

And frankly, on the issue of our times—health care—Ernie and Jim both fail that test. Ernie, for carelessly refusing to take his two-tier health-care scheme off the table. And Jim, for putting no new ideas for health-care reform on the table.

Every premier of every province in Canada today agrees that the status quo in health care is not an option.

Yet when I proposed meaningful health-care reform initiatives in this campaign, Jim Flaherty said, "Don't go there—that's dangerous!"

That's dangerous. Well, I'll tell you what's dangerous. It's chickening out on the action we urgently need to stop health-care costs from spiralling totally out of control—leaving us with bigger, more expensive government than ever before.

Both Jim's and Ernie's failure to lead on the issue of our times reinforces the threat of one day hearing the words "Premier" and "Dalton McGuinty" in the same sentence.

It's not leadership to toy carelessly with a two-tier scheme nobody wants and doesn't work.

It's not leadership to campaign with high-octane photo-ops issues while choosing to ignore "the elephant in the room": health care.

Because make no mistake: if we bungle the issue of health care we hand the next election to the Liberals.

My detailed action plan for health-care reform, by contrast, meets the criteria I laid out at the beginning of my remarks. They're good ideas. They're sound, common sense conservative ideas. They're ideas that will work.

And all of them come not from some back room on Bay Street but from the front doors of Main Street, where people live, work, raise their families and pay their taxes.

And I've made it my personal mission when I'm premier to take on the challenge of meaningful health-care reform. As Minister of Health, I know it can be done.

But I've discovered too that the job of putting wheels on a dream never really ends and can often take you in some unexpected new directions.

Back about a month ago, for example, my re-connection tour rolled into Toronto, where I spent a lot of time with a lot of people who told me about this city's special needs—and those of other municipalities too.

So, midway through my tour, I laid out a five-point plan for our communities that includes redirected and dedicated tax revenues to invest in transit infrastructure and a new vision for a developed and clean waterfront here in Toronto.

Another good example comes from the days I spent in rural Ontario, where I learned about the struggle of our family farms to preserve a special way of life in a changing world.

So I pulled off the road again, to spell out a specific plan to help change the tax environment of our rural communities and counter the subsidised competition of our competitors across the border.

Still after all that, there was one more revelation in store for me, and it is this:

Unless Ontario is a powerful magnet for jobs, talent and innovation, unless we become a true job- and wealth-creating engine, all the rest will be for naught.

Perhaps more than any other issue, the concern of Ontario parents for their children, and grandparents for their grandchildren, struck home to me. The concern is a simple one expressed in so many similar ways. How is our next generation going to find their way in life as tuition fees climb, the price of a new home seems never to come down and the lure of other provinces and countries grows stronger every year?

Those asking the question knew full well that as this next generation struggles to find its way, the rising pension and health-care costs of our aging population will only continue to climb. What hope can there be for a generation faced with such challenges?

Well, let me tell you. Today I am announcing a new, and I believe visionary, step towards addressing the challenge we all face in ensuring that our next generation finds its way. I call it Jump Start 250.

Should I become premier, Jump Start 250 will ensure that the first $250,000 of income for each Ontarian turning 18 after January 1, 2003 will be free from provincial tax. This $250,000 lifetime exemption will replace the basic personal exemption that currently exists. Once the lifetime exemption has been used up, taxpayers in this age group will resume full tax-paying responsibilities. But in the meantime we will have invested in them—no, helped them invest in themselves—to win a good education, start a family, buy a home and stay in Ontario for good.

Of course this would work even better if it also applied to federal tax. So as premier I will call on Jean Chrétien to have his finance minister match this proposal in the 2003 budget.

This is what I mean when I say that each decade in our province's history has faced a new generation of challenges and that to solve them requires a new generation of ideas.

My team and I have worked hard to build on the issues raised on our tour and the ideas we heard. I believe we have clearly identified solutions in many areas, some of which I have had time to discuss today.

Shortly I will release the full, comprehensive platform for all of you to explore for yourselves, by clicking on my website: www.teamclement.com.

I am convinced this platform is based on a true sense of where Ontario wants to go. Just as Mike Harris did as he built the Common Sense Revolution, based on a clear sense of the hopes and dreams of everyday Ontarians, I believe my platform re-connects with the basic aspirations of the new Ontario and all its citizens at the dawn of our new century. I believe it will help our party re-earn the right to govern.

So let me close by bringing you back full circle to my argument for rejuvenation. In the end, it's about leadership. In the course of this campaign I have articulated a clear vision for the future and have ensured that my vision is aligned with the aspirations of everyday Ontarians. And now I ask for a mandate to lead the rejuvenation of our party and our province.

My name is Tony Clement.

I am a conservative.

I am a listener, and a doer.

I am a team-builder, and a bridge-builder.

I am a first-generation immigrant to Canada.

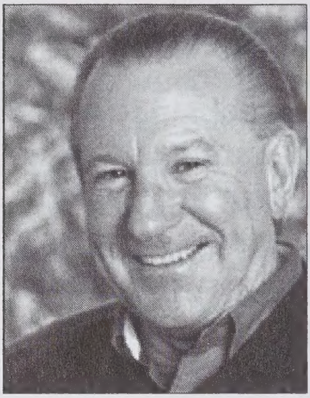
I am the father of three young children.

I believe in the future of this province with all my heart.

And I believe that if we use our heads we can accomplish all that we dream.

Thank you.

The appreciation of the meeting was expressed by Robert J. Dechert, Partner, Gowling LaFleur Henderson LLP and Past President, The Empire Club of Canada.



March 12, 2002

Ernie L. Eves

Candidate for the Leadership of the Progressive Conservative Party of Ontario

COMMON SENSE AND COMPASSION DO CO-EXIST

Chairman: **Bill Laidlaw**
President, The Empire Club of Canada

Head Table Guests

Bart J. Mindszenthy, Partner, Mindszenthy & Roberts Communications Counsel and Director, The Empire Club of Canada; The Reverend Stephen Drakeford, Rector, St. Matthews Anglican Church, Islington; Velma Morgan, Community Activist involved with the John Brooks Community Scholarship Foundation; Carol Yaworski, Executive Director, Learning Disabilities Association of Ontario; Dr. Frederic L.R. Jackman, CStJ, PhD, President, Invicta Investments Incorp. and Past President, The Empire Club of Canada; Isabel Bassett, Chair and CEO, TV Ontario; Gareth S. Seltzer, President and CEO, TWS Petroleum Limited, Managing Director, TWS Private Wealth Management and Past President, The Empire Club of Canada; Nancy Smith, CEO and Founder, NextMedia Company; Arnold Santos, President, Olympic Tool & Dye; and Sharon Stinson-Henry, Chief, Mnjikaning First Nation.

Introduction by Bill Laidlaw

Here is a man who really needs no introduction. It does not seem that a day goes by in the media when I do not hear about this man and the skills and attributes he would bring to the job as premier of Ontario.

I have memories of him as a newly elected MPP from Parry Sound with a very different haircut.

His history in the party has included a number of roles in Opposition and in various ministries in the Frank Miller and Mike Harris governments. Recent positions have included Government House Leader, Chief Government Whip and more recently as Minister of Finance.

Our speaker has been for all intents and purposes the right-hand man of Mike Harris.

Ernie is currently the Vice-Chair and Senior Advisor at Credit Suisse First Boston Canada, and Counsel at Borden Ladner Gervais. Prior to joining Credit Suisse, Ernie served as the Deputy Premier and Minister of Finance for Ontario from June 1995 to February 2001.

In his role as Minister of Finance he was responsible for the allocation of Ontario's billion-dollar budget and the development and implementation of tax issues. Ernie also oversaw the restructuring of Ontario's financial institutions including Ontario Hydro. He chaired the Cabinet Committee on Privatisation leading one of the largest privatisations in the country.

Ernie's community service is as equally impressive as his political career. He serves on numerous associations and advisory boards such as the Vince Carter Foundation "Embassy of Hope" which helps underprivileged and disadvantaged young people.

Ernie was an integral part of the establishment of the Justin Eves Foundation in memory of his son and he continues to act in an advisory capacity to the foundation. The foundation is a charitable organisation dedicated to providing financial support through scholarships for learning disabled youths working towards a post-secondary education.

A graduate of the University of Toronto and Osgoode Law School, Ernie was called to the bar in 1972 and he was made a Queen's Counsel in 1983.

It is my pleasure to introduce to you our guest speaker today—Ernie Eves.

Ernie Eves

I was going through the tradition of signing the guest-book before lunch this afternoon and I noticed the previous guests this month have been Bob Rae, Elizabeth Witmer and Tony Clement. Someone should talk to Bob. He's not in this race.

A leadership race is a lot like the luge race in the winter Olympics; the objectives are to lie flat, go fast and try not to die. So far. So good.

I want to thank you for that kind introduction and warm welcome. It is always an honour to speak to the Empire Club.

You may recall that the first time I spoke here was right after our government's first budget. The date was May 10, 1996. I said then that I believe that our first budget will be remembered as the day we turned the corner in this province and sent a very important message about Ontario's new direction.

The first question I faced from a friend after I announced my intention to seek the Ontario PC leadership and leave my business activity behind was very straightforward: "When, exactly, did you start to feel a little unhinged? And is there no medication that can help?"

I am particularly proud to stand before you with the support of 32 committed members of the provincial Parliament—leaders in Ontario, who encouraged me to return to public life.

Sixteen of them are here with us and I would ask that you join me in recognising them today.

My decision to return to public life certainly required some soul searching. In all our lives there are a series of choices we must make, of which the single most important is how we spend the little time we are given. My decision to come back was determined by two essential considerations.

The first was Premier Harris's unexpected decision to retire, long before most thought he would. The second was my profound belief in the right mix of policies and leadership vital to the economic and social interests of Ontarians.

In the face of the challenges confronting Ontario, this is no time for complacency or smug ideological self-delusion, either within the Conservative party or the population of our province as a whole.

Successive generations of industrious and compassionate Ontarians under the strong leadership of premiers like Frost, Robarts, Davis and Harris have built a multi-faceted, high-technology, manufacturing and exporting powerhouse that generates incredible wealth.

A farming output second to none in Canada. A health-care and educational framework among the very best in the world. A network of towns, cities and rural communities that are the envy of millions. A society of uncommon racial diversity, tolerance and understanding. Law abiding and peaceful communities. Progress.

That progress was at risk in 1995 after 10 years of successive Liberal and NDP governments.

We inherited an Ontario bloated with debt with billions added every year in new deficits; a province that was chasing economic growth away through high taxes and excessive regulation.

It is the opposite of what we have now. And the challenge we face as Ontarians is how to preserve the best of what we have on the one hand, while changing and improving what is necessary to ensure equality of opportunity through economic performance and social progress in the future.

In 1995, a huge dose of common sense was essential to address what we inherited from 10 years of Liberal and NDP taxation, spending and regulatory extremes. Hence the Common Sense Revolution—a platform I was proud to help draft, defend, and implement with my friend Mike Harris and many colleagues.

The Common Sense Revolution was a platform that, contrary to the opinion of some, was built on consultation. On the ideas of Ontarians. Built from the ground up and not from the top down.

Implementing that plan was not easy. But it was the right plan. I believed it in 1995 and I believe it today.

I believe it because I was there when we found $2 billion in savings in the first four weeks of taking power. Tough decisions had to be made and there were a lot of sleepless nights. But I stand here today in a different Ontario—one that Frost, Robarts, Davis and Harris can all be proud of.

Today the progress we have seen is at risk again.

If there were any doubts at all, one need not look any further than Dalton McGuinty's speech last Thursday. Buoyed by polls that always suggest Liberals ahead between elections, Mr. McGuinty proudly and publicly committed to raising taxes. It is amazing that as soon as there is even the remote possibility of Liberal electoral progress, the Liberals cannot resist the tax-and-spend solution; it seems almost genetic!

Our partisan competitors are clamouring to take us back to the days of tax-and-spend, while our economic competitors around the globe continue to strengthen their jurisdictions. That, ladies and gentlemen, is a recipe for economic disaster. I cannot and will not allow that to happen.

We must continue down the road we have built over the last six and a half years. It has been a difficult road. But the growth we have seen in Ontario—even in the face of an economic slowdown—is a testament to the success of that plan.

After 20 years of service to the people of this province and our party I can tell you quite simply the job of cutting taxes and increasing competitiveness is never done. Because we have come so far we cannot, and must not, turn back now.

We must establish priorities and focus on what is most important to the people of this province just as we did in 1995.

In 2002, we must recognise the need for meaningful change and re-engineering in health care so as to preserve universal access to the very best care available regardless of one's ability to pay; the need for strategic investment in post-secondary education to ensure our capacity to compete with the best and the brightest; and the ongoing duty to make Ontario the investment location of choice through strong infrastructure, fair and modest government and diminished tax burdens wherever possible.

The only way to do that is to be frank about the broad framework essential to the task.

We must give to Ontarians a government that understands the values that are most important to Ontarians. I promise you that if I am given the opportunity to be your premier our government will be founded in the belief that equality of opportunity is the basis for true economic and social progress.

Equality of opportunity is the simple notion that all Ontarians, however wealthy or disadvantaged, have the right to expect a fair shot at self-improvement, happiness, wealth creation and a chance to contribute to society as a whole.

Standing before you is a working-class kid who benefited from the chance to get a post-secondary education. That was an opportunity my parents never had.

Those on the left of the spectrum, Liberals and NDP alike, replace equality of opportunity with mandated equality of outcomes.

I believe that government should not be the first and only answer to every challenge. In homes, in church basements, in small businesses and on farms, and in our day-to-day lives, millions of events occur every day that have nothing to do with government.

We must understand where government can and should be involved and be prepared to get out of the way where it shouldn't. A competent government shows that competence by first knowing its place.

I believe that common sense and compassion can and do co-exist.

I have seen it here in Ontario—in my five provincial budgets that combined unprecedented tax cuts with record investment in Ontario's priorities helping those who need help in our society.

Economic and social performance are tied inexorably to one another. Separating the two, hoping you can generate wealth without fairness or force fairness without generating wealth, is a huge misunderstanding of how Ontario works when it is at its best.

Indeed equality of opportunity in a society that leaves no one behind is rooted in a strong economy. My record on tax cuts and economic growth is unrivalled.

The government I would lead will continue to cut taxes just as I did in five provincial budgets. It would follow the schedule outlined in my 2000 budget for decreases in income taxes and tax cuts to help companies create jobs. We would seek new and more ways to increase productivity. Productivity is the key to our future—not a low Canadian dollar.

I believe that Canadians have a fundamental birthright to accessible health care regardless of their ability to pay. If money alone were the solution, we would have solved the problem by now.

Money alone is not the solution. Neither is the status quo.

Leadership on health care in the twenty-first century means not being afraid to have an honest discussion, while protecting the universality of the single-tier system that is a hallmark of our province and our country.

We know that the private sector has an important contribution to make in a publicly funded system. We must foster innovation based on partnerships with the private sector. We must explore new approaches together.

Solutions in health care will require courage on the part of all governments to admit what has not worked and to reach out to find what will. I am prepared to lead.

This has not been and will not be easy, but it is essential.

I believe that creating a strong community for individuals, families and businesses to do what they do is fundamental to who we are as Ontarians and indeed Canadians.

Strong trading relationships with the Americans are vital to Ontario's economy. We are the largest trading partner that the U.S.A. has.

We cannot have that trading relationship unless we address border security as a nation and internal security as a province.

I believe we need policies that will at once facilitate the seamless movement of goods, services and people but will also recognise the needs of our neighbours and safeguard all citizens in the wake of the tragic events of just six months ago.

Ontario needs a place at the table as Major General Lewis Mackenzie told me last week.

We have to work with neighbouring jurisdictions and the federal government to ensure our borders are both secure from threat but open to trade.

Equality of opportunity through a strong economy, quality education, accessible health care, small and efficient government, safety and security of person and province are the values that have guided me in my 20 years in public life. And they are the values that would continue to guide me as your premier.

I am not the candidate for those who seek simple solutions to complex problems; nor do I appeal to those who would walk away from the Mike Harris legacy of courage and achievement. Some would vilify those who through no fault of their own are down on their luck. Some would choose the status quo in health care. Some would choose confrontation over consultation. I am not that candidate. I will not be that kind of premier.

In the end, each one of us in public life must look his fellow citizen in the eye and himself in the mirror and ask: "Why am I here? What do I want to achieve?"

Well my purpose is not an agenda of anger or victimisation. Nor is it one of abdication or ideological isolation. My purpose for progress and opportunity is a place where freedom, responsibility, free markets and social progress co-exist in a way that maximises the benefit, security and prospects of every Ontarian from all walks of life and from all economic groups.

It would be my hope that my cabinet colleagues feel encouraged to innovate and reach out and that we would have a true cabinet government where ministers are comfortable to discharge their statutory and leadership roles.

I want any government I lead to be a team and I want that team to include members of the legislature who will have more free votes, more private members' legislation and more scope to speak and fight for their constituents. Ontario does not progress by accident. Often, progress requires tough decisions.

Ontario will require more than just Conservatives to achieve progress today.

It will require all Ontarians to come together. And, above all, it requires leadership—not just from a premier and government, but from each and every one of us in our day-to-day lives.

There will always be different levels of achievement in our society, and unlike our socialist friends, I think that is a good thing. The kind of Ontario I want to help build should be one without ceilings to excellence, achievement or opportunity.

Part of what underlines the civility of Ontario is the way in which we treat each other, respect our individual freedoms and diversity and discharge our responsibilities as citizens and as neighbours. And, I believe a society can be judged by how it treats its most vulnerable. The aged who are infirm, the homeless, those who are in some way disabled, those with learning disabilities and those who are born into severely disadvantaged circumstances are not people I am prepared to leave behind.

Just as strong economic performance is vital to ensuring the resources to help these fellow citizens, so too is a certain courage on the part of all levels of government to admit to what has not worked and reach out to find what will. That is a process I do not fear; it is one I will embrace with genuine enthusiasm.

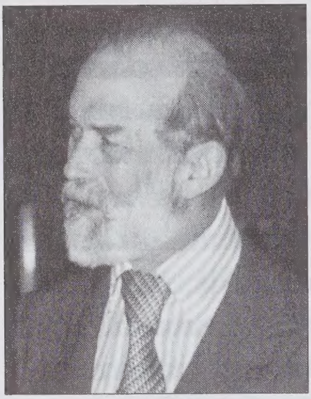
All Ontarians should know that there is a basic floor, a basic level beneath which no Ontarian should be allowed to fall.

In the Ontario I ask your help to shape and strengthen, I believe we can achieve this mix of economic growth and social decency that reflects the best of who we are and what we care for.

In that task, and towards that end, I ask for your help and support on March 23.

Thank you very much.

The appreciation of the meeting was expressed by Gareth S. Seltzer, President and CEO, TWS Petroleum Limited, Managing Director, TWS Private Wealth Management and Past President, The Empire Club of Canada.



March 14, 2002

A joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

His Royal Highness, Prince Michael of Kent

THE SMALL AND MEDIUM ENTERPRISE SECTOR IN THE EMERGING ECONOMIES OF EASTERN EUROPE AND RUSSIA

Chairman: **Gareth S. Seltzer**
Past President, The Empire Club of Canada

Head Table Guests

Nancy Lockhart, Chief Administration Officer, Frum Development Corporation and President-Elect, The Canadian Club of Toronto; The Reverend Prue Chambers, St. Nicholas Anglican Church, Birchcliffe; Shelly Wu, OAC Student, North Toronto Collegiate Institute; Leslie Rebanks, Architect, Rebanks Pepper Littlewood Boyd Architects Inc.; Suzanne Davis, President, Christie's Canada Inc.; Max Chauvin, National President, Royal Life Saving Society; LCol. Phil Berthiaume, Commanding Officer, The Essex and Kent Scottish Regiment, Windsor; John F. Bankes, Managing Director, Artemis Management Group Inc., National Chair, Royal Life Saving Society and Past President, The Empire Club of Canada; Kathy M. Whidden, President, Second Sight Innovation; Charlie S. Cutts, President, Corporation of Massey Hall and Roy Thomson Hall; Jill Hermant, Executive Director, Duke of Edinburgh Awards; and Gordon K.

McIvor, Vice-President, Canada Lands Company Limited and President, The Canadian Club of Toronto.

Introduction by Gareth Seltzer

Anthony Crickmay—Prince Michael—we are delighted that you are our guest today. Prince Michael, if you will allow me to say, is the grandson of George V and a cousin to both the Queen and the Duke of Edinburgh, who has also been a guest of our clubs. Prince Michael has served in the United Nations peacekeeping forces in Cyprus in the early 1970s—and among other tours of duty, Prince Michael is now the Honorary Commodore of the re-structured Royal Naval Reserve.

As chairman of his own company, I was impressed to read that he offers consultancy advice with respect to the construction, telecommunications, insurance, finance and tourism sectors as well as the medical, aviation and automotive industries. I am pleased to say that you still have time to master nuclear fusion and subsurface ecosystems. I jest, of course, as His Highness is also a race-car driver and a qualified pilot. A qualified Russian interpreter, also fluent in French and with a working knowledge of German and Italian, the Prince travels extensively on business and has led delegations of British businessmen to both China and Russia. Basically, it looks to me as if you just travel around making the rest of us look bad.

His Highness is also a keen sportsman, having represented Great Britain as a bobsleigh driver for many years, and was a reserve for the 1972 Olympics.

His Highness has very strong and active associations with Russia which he first visited in 1992, following the collapse of communism. Now patron of the Russo-British Chamber of Commerce, he has returned to the country many times since then on business. He is also closely involved with a number of charity, arts and humanitarian organisations in Russia, including The Friends of Russian Children of which he is a particularly concerned and committed patron.

Your Highness, it is with a deep sense of appreciation and honour that I express how pleased we are that you are here today and I ask the room to please extend a warm welcome to His Highness, Prince Michael of Kent, to the podium.

Prince Michael of Kent

Thank you very much for your kind invitation to address this joint meeting of the Canadian Club and the Empire Club. It is a great joy for me to be back in Toronto, a city about which I have so many fond memories. I am so glad we all had a chance to see the Queen's Baton and to speed it on its way to Manchester.

I have decided today to concentrate on two subjects which fascinate me, and which I see as interconnected in many important ways—the development of the small and medium enterprise (SME) in Europe and its role and significance for us all in the emerging economies of Eastern Europe and Russia.

You may well wonder what that has to do with Canada. Well, SMEs have played a vital role in the development of the post-industrial world. As we all know, the SME sector has been perhaps the greatest engine for growth in western economies, but it has also played a big part in mobilising the democratic instincts of people in the free world and generated a desire for them to manage their own futures. That is only now becoming a matter of prime importance in the development of Russia, and is one in which I feel we all have a part to play, not only out of purely commercial interests but as a means of helping to spread democracy amongst "the family of nations."

The last 20 years have seen some of the most exciting examples of the influence that the vision of individuals and tiny companies has had on a world which so often seems to have been dominated by multi-nationals. That influence will flourish in an atmosphere of freedom of thought, with a minimum of government red tape and legislation and where the true entrepreneur can have his head. Innovation has long been a characteristic of the British peoples, but it will be stifled unless there is a move in the European SME sector towards a more enlightened and less bureaucratic environment. Without that, the SME sector will stagnate, and so a number of initiatives have been set in train in the United Kingdom which might be of interest to you as you consider investment into the SMEs in Europe.

In researching this talk, I was struck by the diverse range of factors that have contributed to making Canada the champion of the entrepreneur on an international scale. A combination of fiscal incentives and educational policies has transformed the country into the second most successful small-business environment in the world in terms of the number of adults setting up new businesses. Seven per cent of adults actively participated in business start-ups in Canada in 1999 compared with a European Union average of 2 per cent. Canada's performance as a creator of small-business opportunities makes a laudable and compelling case.

That Canada has a culture more intrinsically suited to entrepreneurs than that of many European Union (EU) countries was borne out in a survey conducted recently by a joint Anglo-American team of academics. They measured the enterprise spirit across 23 countries worldwide by asking the simple question: "Suppose you were working and could choose between different kinds of jobs, which would you prefer: being an employee or being self-employed?" Over 57 per cent of the Canadian respondents preferred being self-employed—well ahead of the proportions registered by respondents in the EU.

One of the main reasons why Canada so attracts the entrepreneur has been the assertive policies pursued by the authorities, particularly in education and training, to bring out the creative spirit and develop relevant skills. The percentage of people in Canada between the ages of 25 and 64 with tertiary-level education is a staggering 39 per cent, compared to an EU average of 22 per cent.

So I know that I am speaking in a country with innovation close to its heart. Moreover, it has been copied by the United States and, in Europe, by Italy, the Netherlands, France, Spain and the United Kingdom.

By the way, did you hear about the investment banker who hired a plumber to repair a tap? He took 10 minutes on the job and charged $50. "I say," said the investment banker, "I couldn't make $50 for 10 minutes work." "Nor could I," said the plumber, "when I was an investment banker."

One of the many advantages our two countries share is this: in a recent update on a KPMG survey used by companies all over the world to determine the best place to locate businesses, Britain was shown to be the second-cheapest out of nine industrial countries, behind only Canada. We ranked as the best place in Europe, our labour costs being the second-lowest anywhere. You might be interested to know that Edmonton ranked as the least expensive city in this survey! I'm sorry about that!

We in the EU—and those in the emerging economies of Eastern and Central Europe—have a lot to learn from Canada's experience and would do well to adopt your best practices and emulate the encouragement you give to the entrepreneur. That has allowed Canada to be successful, over time, in the most important measures of small-business performance, and ultimately, prosperity.

Within the EU, it is now widely recognised that SMEs (or those employing less than 250 people) constitute the key to future economic growth. European heads of government have started the ball rolling by committing themselves to "open and competitive markets" as a means of removing unnecessary barriers to trade and encouraging trade links between the EU member states.

The economic reforms enacted by European states have the strong support of the large corporations, anxious to exploit economies of scale and critical mass. But it is easy to forget that SMEs can also benefit from the removal of trade barriers, and, in fact, prosper if the appropriate framework is put in place to cultivate trade within the EU itself.

An important step towards stimulating small-business growth emerged at the Lisbon Summit of EU heads of state in March 2000, when the EU SME Charter was adopted empowering EU States to take measures to become "the most competitive and dynamic, knowledge-based economy in the world by 2010." The Charter implicitly recognised the role of small businesses in European economic growth. The Charter has become the building block of the European Commission's enterprise policy.

Consider the facts. Twenty million small businesses in the EU today provide employment for 65 million people. They account for 99 per cent of all businesses. Do you know how many people the average European business provides employment for, including the owner/manager? Two.

SMEs provide some 53 per cent of all jobs in the EU—a percentage that is predicted to rise as larger companies face threats, mainly from e-commerce and greater Internet usage by entrepreneurs. In the last decade, SMEs were the principal creators of new jobs, whilst on average, big industry has reduced employment. EU SMEs currently generate an impressive 56.2 per cent of the private-sector turnover.

And yet, SMEs continue to face substantial problems in the EU, not seen in big industry. They can be summarised under four broad headings:

- Inadequate legislative, fiscal and financial measures exist across the EU to encourage small businesses to stay in business.
- Few European small businesses actually grow into bigger ones. Fast-growth firms account for only 4 per cent of businesses in Europe compared to 19 per cent in the United States.

- There are still serious time, cost and capital-requirement obstacles to setting up a business in the EU.
- More than three-quarters of total venture capital investments in Canada finance the early stages of a business start-up and expansion, as compared to less than half in the EU.

These problems are now being addressed by European heads of government and the European Commission, but not necessarily through further legislation.

For example, in Britain there are over four million SMEs and they contribute 40 per cent to our Gross National Product; this in a country whose economy is the fourth-largest in the world despite being only twentieth in terms of population. The spirit of enterprise has long been a feature of our national landscape and small firms now employ over half of our private-sector work force. Small business tax now has a starting rate of 10 pence in the pound; a new R&D tax credit will mean that this year a quarter of the new investment in SME business research is underwritten before a penny of profit is made. No wonder, then, that the British stock of inward direct investment has risen 45 per cent in the last five years.

Which reminds me… actually it doesn't, but I thought you would like to hear this story anyway:

A young police constable, giving evidence in a magistrate's court for the first time was very nervous.

The case was of a "lady" charged with indecent behaviour and offensive language. The Chairman of the Bench, a woman, asked the policeman what the defendant said.

He replied: "I don't think I can mention this in open court, Your Worship."

The Chairman said: "Very well, Officer, write it down and hand it up."

He did so. The Chairman read the offending words and passed them to her immediate colleague on the right. He, unfortunately, had just "dropped off" for a moment. She therefore nudged him in the ribs.

He woke up, saw the piece of paper, read the words on it, and said with surprise: "What, now?"

To energise the SME sector in Europe, the drive must come from a top-level cross-parliamentary co-ordination, national and Pan-European, aimed at implementing a range of measures to encourage SME start-ups, as well as contributing to their growth.

I therefore want to draw your attention to an exciting new British initiative focused on boosting European small business growth called The Genesis Initiative, of which I am founder patron.

We have constituted in the United Kingdom, an All-Party Parliamentary Small Business Group to galvanise cross-party political skills aimed at promoting small-business growth. Drawn from the ranks of all British political parties, (which is very unusual in Europe), the group acts as a catalyst driving key policy issues through Westminster and providing feedback for SMEs on small-business issues. A consensus-based approach to the development of government SME policy has been secured by forging a partnership with key British non-profit-making representative organisations. Parliamentarians and the SME bodies have now consolidated their efforts by forming The Genesis Initiative to ensure that small business speaks with one voice.

One of the central issues The Genesis Initiative has concentrated on in the United Kingdom is the need to identify impediments preventing SMEs from fully exploiting the European single market. Many of them are of European origin, and therefore need to be addressed very early on. In the past six months, we have taken The-Genesis-Initiative concept into the heart of Europe by creating a grouping of cross-national and European parliamentarians that we call The Pan-European Genesis Initiative. Its structure is designed to act in the collective interests of small-business owners, SME policy agencies and legislators at the national and European level.

The Pan-European Genesis Initiative was officially launched in London last September. In a concerted effort to accelerate the pace of small-business reform across the EU, so as to create a dynamic EU economy by 2010, The Pan-European Genesis Initiative is designed to work as an advocacy body.

It would represent an important departure from existing practices in the history of European industry policy. In time, it is our hope that The Pan-European Genesis Initiative will be at the forefront in driving the debates at European level, and become the cornerstone on which European small businesses can build.

So what role can Canada play in this new initiative and how will she stand to benefit if we are successful?

The potential for direct investment into the EU SME sector is enormous. In 1999, foreign direct investments grew by 27 per cent. Almost half of them came from non-EU countries. Canada's direct investment is part of this growth trend—rising from around C$1.25 billion in 1998 to C$2.75 billion in 1999. This still only represents 1 per cent of the total foreign direct investment into the EU based on 1999 figures.

I was talking just now of the need to move to a less bureaucratic environment. I heard a story last week about Russia in the old communist days—a true story—which shows what can happen if bureaucracy goes to extremes.

A consignment of pig-iron was taken by train from Vladivostock to Moscow and when it arrived there the railway authorities asked the engine driver for his papers. When he produced them, the officials said: "These papers are not in order: you have told us you are carrying 12,500 tons of pig-iron, but 1,250 tons is written here. You are not permitted to discharge your cargo in Moscow." So what did the driver do? He turned his locomotive round, took the entire train back to Vladivostock, went to head office, got the comma put in the right place and brought the whole train back to Moscow again. That's a 3,500 mile journey, multiplied by three—and you can imagine the expense!

Well I have been going there regularly for the last 10 years and Russia has changed 180 degrees. And I put it to you:

Alongside the potential for Canadian investment into the SME sector in the United Kingdom and Europe, there must also be a strong argument in 2002 for putting money into the emerging economy of Russia. You may not have given it much thought, but there is not only the commercial opportunity but the chance to contribute towards the reintegration of a significant new market into the global economy. SMEs will have a disproportionate influence on the development of Russia in the next 10 years. So let's have a look at their role in today's Russia and some other areas in Eastern Europe.

After more than a decade of transition, there is a clear economic divide between the leading reformers in Eastern Europe and the countries of the former Soviet Union. Compared to Eastern Europe, where SMEs accounted for about 60 per cent of GDP by 1998, the former Soviet Union accounted for only 10 to 20 per cent in Russia, Belarus, Kazakhstan and Ukraine.

The emphasis of future policy in the former Soviet Union must be on the development of SMEs. I would like to build on this theme with particular reference to SMEs in Russia and why foreign investors should begin to pay close attention to this sector of Russia's economy.

The resistance to restructuring within industry and government that prevailed before 1998 has changed and there is a new sense of realism. The exchange rate crisis of August 1998 cut off external financing with the consequent imposition of financial discipline at all major levels of the Russian economy. In effect, the 1998 rouble crisis shook Russia out of its dilatory attempts at reform. But the current move to real market reform will make things worse before they start getting better. Restructuring the big old industries will bring higher unemployment and diminish the traditional role of the company in the old Soviet times as the provider of social security. The risks still exist and, as foreign investors, you are most exposed if reform stalls and people are left with no job, no prospects and insufficient welfare support. The key to reducing that risk is a vibrant local enterprise sector, which can utilise the unemployed workers and the non-performing assets.

An example of that is Poland, where the drop in GDP at the beginning of transition lasted only two years—the shortest period in the region—because SMEs took up the slack created by the decline of the big old industries. By 1998 SMEs generated 48 per cent of GDP and in terms of employment, seven out of the 11 million people working in the Polish economy were in the SME sector. The SMEs created the growth and employment opportunities that enabled the initial losers—those who had lost their jobs in the large industrial and manufacturing sectors—to gain in the long term.

It could be tempting to imagine that the Polish model applies also to Russia. With policies of financial discipline and a credible modernising government now in place in Russia, similar growth in SMEs as Poland could be expected. After all, from 1991–1994 the number of SMEs in Russia grew from 250,000 to around 900,000. But unfortunately, that growth ceased in the mid-1990s when vested interests came to dominate the business environment. The high level of risk and the insecurity of property rights stunted the development of the Russian SME sector.

Clearly, to encourage a new stage of SME development in Russia, there has to be reform in the legislative, regulatory and taxation systems so that SMEs can join the real, not the shadow, economy. There must be legal reforms focusing on the issue of contract enforcement. Removal of administrative interference and streamlining of regulatory state functions must be priorities. The concerns of SMEs mirror the concerns of foreign investors. But the real question is how these reforms can be achieved. Fortunately the first steps have already been taken.

The new tax (a 13-per-cent flat tax on personal income) and licensing reforms are paving the way for the growth of SMEs in the short term. Addressing an all-Russian convention of Russian entrepreneurs in March 2001, Prime Minister Kasyanov publicly expressed his support for introducing a special section on small business taxation into the tax code. But in the medium term this new SME movement must become a force for market competition for influencing the government and resisting vested interests. And it is the foreign investors who are in a position to help them succeed by forming business associations with SMEs, leveraging the expertise of international institutions and playing an important role in creating fairer business conditions.

An important part of the development of SMEs as a group in Russia is their ability to voice their concerns at a political level. Last December lobbyists representing the Russian Entrepreneurial Organization's Union hosted a conference and met with President Putin. Founded last spring, the union is the largest small-business lobby in Russia. It formed the backdrop to the meeting of the Russian Federation State Council which was attended by all but seven of the 89 regional leaders, as well as Prime Minister Mikhail Kasyanov, Finance Minister Alexei Kudrin and Economic Development and Trade Minister German Gref. At this meeting President Putin called on the government to create a legal, regulatory and financial environment friendly to entrepreneurs and reaffirmed his belief that SMEs are the key to a stable economy.

For the last 10 years Russia has been in a state of flux. But there is greater optimism today than ever before that she has set her strategic course towards the market economy. It will by no means be easy. Russia has yet to go through many of the painful changes that the countries of Central and Eastern Europe experienced in the process of transition.

Nevertheless, whether it be in Russia, Europe or Canada, there is no doubt that the driving force in this shrinking world will continue to be the SME sector. In Europe as a whole, we will need to take a leaf out of the Canadian book and adapt our variety of cultures to take advantage of the renowned entrepreneurial skills of our separate populations.

SMEs will play a key role in the successful economic development of Russia as they already have elsewhere. In spite of the slow start, Russia will undoubtedly embrace the benefits which accrue from a successful small-business sector. There may come a time when your interests diverge and when the focus is on competition rather than co-operation. But that will only happen after international investors have helped Russia create a fair legal system, clear tax rules and simple regulations.

There is a great opportunity now if those in the West, who have experienced the contribution which the SME sector can make to their own commercial landscape, can involve themselves profitably in the same way in the emerging economy of Russia and thus help to participate in the development of closer international ties to the benefit of us all.

Small will then, undoubtedly, be beautiful.

Of course, no enterprise no matter how original, well planned and brilliantly executed, can succeed without the base of a stable political environment in which it can operate according to a predictable and impartially administered set of rules established by democratic processes and known to all.

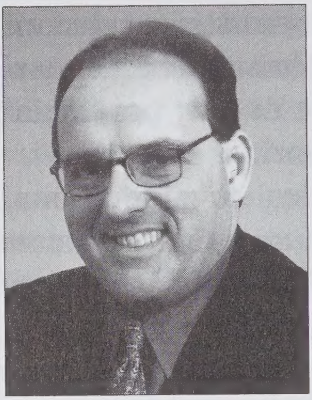
That is why I must close by reflecting on how happy I am to be in Canada in this year of The Queen's Golden Jubilee. Throughout Canada's history, as today, the

Crown has offered the Maple Kingdom a distinct sense of nationhood amidst a sea of continentalist influences; parliamentary government under the rule of law; provincial autonomy reconciled with federal authority.

Even above and beyond these political considerations, Canadians in common with Britons share a deep admiration for the decades of service by Her Majesty The Queen. In an era of the transitory and ephemeral, where the typical worker will change his employment seven times over the course of his career, the Queen's constant and unselfish service and total commitment to the interests and well-being of the entire community stands as an example and challenge to us all. It is why you, as I, can be proud to give her our allegiance.

The Golden Jubilee celebrations offer all of us an opportunity to reflect on the many advantages of our enjoying a stable environment in which to raise our children and conduct our business lives. They also suggest that by possessing a sound base of knowledge about our institutions we shall preserve that tolerant, inclusive and generous spirit that is typical of Canada and the Commonwealth at its best.

The appreciation of the meeting was expressed by Gordon K. McIvor, Vice-President, Canada Lands Company Limited and President, The Canadian Club of Toronto.



March 21, 2002

Mark Bruneau

President and Chief Executive Officer, Adventis

TELECOMS CONVERGENCE: FOCUSING INNOVATION AND REVERSING CANADIAN TALENT FLIGHT

Chairman: **Bill Laidlaw**
President, The Empire Club of Canada

Head Table Guests

Ann Curran, Director, Corporate Development International and President-Elect, The Empire Club of Canada; Benjamin Cook, OAC Student, North Toronto Collegiate Institute; The Reverend Canon Philip Bristow, Incumbent of St. Phillips on the Hill, Unionville; Brian Porter, Director, Corporations and Foundations, University of Waterloo; Peter Currie, Vice-Chairman and CFO, Royal Bank of Canada; John MacLennan, Vice-Chairman and CEO, AT&T Canada; Gaylen Duncan, President and CEO, ITAC (Information Technology Association of Canada); Sharon Rudy, Vice-President, Spencer Stuart and Director, The Empire Club of Canada; and Claude Lajeunesse, President, Ryerson University.

Introduction by Bill Laidlaw

Several months ago I had a call from Peter White who made me aware of a dynamic young man who would make an excellent guest speaker for a future Empire Club meeting.

I hear this from many people of course, but knowing Peter and valuing his advice I asked some questions about this individual.

Here was a fellow who had made his fortune in global communications and did it while he was still very young. What really interested me was that he wanted to share his secrets with a Canadian audience so that it could benefit from his wisdom.

He apparently was planning to move back to Canada from the U.S. to continue his career where he was born, on the condition that Canada create an environment for investment that was more receptive to innovation.

He would also have some really challenging ideas for our Canadian policy makers, particularly the Minister of Industry Allan Rock.

He was also considering making a run for federal elected office to demonstrate that he meant business when he said that he wanted to make a difference.

I was hooked and I told Peter that I wanted to meet this man.

I met him and he was just as impressive as his advocate had described and working with him and his associate at putting this luncheon together has been a pleasure.

Let me now give you a more thorough overview of our guest Mark Bruneau.

Mark is currently the President and CEO of Adventis, a global management and strategy consultancy focusing on the converging global communications, computing, commerce, and content industries.

Prior to joining Adventis Mark worked as the Assistant to the President of Bell Canada International. He was with the management consulting firm Mercer before he founded Adventis in 1993.

Today Adventis has operations in Montreal, Boston, New York, Washington, San Francisco and London, a staff of over 200 and is considered an industry leader in global communications.

Mark's keen attention to the collision between global communications, computing, commerce and content industries has made him a valuable asset to many organisations.

He is an advisor to Fortune 500 executives on the growing phenomenon of content applications and bandwidth convergence and the overall massive restructuring of the global communications industry.

His educational credentials include a Bachelor of Commerce degree from the University of Ottawa and an MBA from Harvard Business School.

Today we are going to hear from Mark on the topic of where Canada should focus to rejuvenate its innovation, arrest its comparative decline, and reverse its talent flight.

Mark Bruneau

As a Canadian living in the U.S. for 18 years, I am struck by how good Canadians have it and by how much we doubt ourselves. I have family and conduct business here in Canada, went to school here and have many roots. It's a great country with enormous accomplishments and potential yet we beat ourselves up so much. There is much self-criticism currently about our comparative economic decline, lack of innovation, the low dollar, the "brain drain." Yet even as we grumble, we remain curiously complacent. Are we becoming a bi-polar people, self-critical and self-satisfied? Where is our sense of national adventure and ambition?

Today I want to talk about this apparent tension between self-criticism and smugness from an outside perspective, take a look at the issues we face, probe their root causes, and suggest ideas to "turbocharge" our innovation, productivity and prosperity.

First, a confession. I am one of the brains in the drain. I went to the U.S. for Harvard Business School and to start a business. The past 10 years of growing a business in a very competitive market give me a good basis for comparing and contrasting.

It is from this perspective that I'd like to look at some of the issues Canada is facing:

1. Per-capita GDP at three-quarters that of the U.S. and seventh in the OECD countries.
2. Per-capita real after-tax income has fallen by 8 per cent in Canada since 1989, while it has grown by 20 per cent in the U.S.

3. Our 60-cent dollar, which makes productivity-enhancing investments very expensive and Canadians poorer.
4. A corporate tax structure, which impedes the diversification of our economy away from commodities and their dollar-weakening effect.
5. A personal income-tax rate which is still too high when including the full picture of brackets, exemptions, deductibility of state taxes, capital gains, etc.
6. Comparatively high public debt-to-GDP ratio, 106 per cent in Canada versus 57 per cent in the U.S. according to a recent C.D. Howe Institute roundtable.
7. Deteriorating labour productivity, currently 20 per cent lower than the U.S. and growing at only one-third the rate.
8. Critical shortage of engineers and scientists.
9. Comparatively small venture-capital market, driving some of our innovators to the U.S.
10. Eroding sense of national identity.

Other than that, everything is just fine.

Some of these issues are drivers, which we can fix, and some are effects. Taxation and regulation certainly are drivers. Just about everything else are effects, which will take care of themselves if we nail the root causes. Taxation and regulation drive behaviour around innovation and productivity. Competitiveness, productivity, and exchange rates reflect the results of this behaviour. If we can innovate, we can grow and compete and win, thereby increasing per-capita GDP and incomes, increasing employment, making lower taxes feasible, keeping our brains from draining, and strengthening our sense of identity.

This national prosperity chain starts with innovation. Innovation drives growth, productivity, and in turn prosperity. Innovation is critical to Canada because our labour costs are comparatively high and our domestic market is too small to drive large economies of scale, so we have to innovate to differentiate and we have to differentiate to survive. We can't compete on the basis of low labour costs like Mexico or Asia, and we don't have the cost advantages of large-scale production and large domestic markets like the U.S.

What we can do is increase the value of what we sell by making our products and services more innovative and specialised. To succeed, Canada needs to become one of the most innovative countries in the world, across the entire innovation chain from education to research to commercialisation to entrepreneurship.

Let's take a closer look at this decline in innovation. We are falling behind on several innovation metrics, and recent technology sector layoffs may hamper our ability to recover. We are losing ground as a world competitor and performing below our potential.

The worrisome metrics include:

- Our innovation capacity at the bottom of the G-7.
- Our under-investment in R&D (less than 1.5 per cent of GDP, almost half the U.S. and Japan, and sixth-lowest in the G-7).
- Our tenth ranking in researchers per 1000 labourers.
- Our shrinking faculty teaching IT and micro-electronics.
- Our seventeenth ranking in private-sector employee training.
- Our last ranking in patent applications per 10,000 population, behind Romania!
- Our 25-per-cent share of sales from new products at half that of Germany.
- Our 30-per-cent gap in investment in machinery and equipment compared to the U.S.

- Our proportionally small venture-capital market vis-à-vis the U.S., a country roughly 10 times our size but with a VC market 25 times greater.
- Our last ranking in the G-7 in manufacturing, against such indicators as growth in industrial production, rate of improvement in labour productivity, after-tax profit margins, rate of new product commercialisation, etc.

What's missing from the innovation discussion is a diagnosis of why we have declined, and specific prescriptions on how to turbocharge innovation and where to focus our innovation?

Let's explore why we have fallen behind in innovation and productivity and look at what we can learn from the best innovators.

We have fallen behind in innovation and productivity because it is unrewarding and too expensive for our businesses to make productivity-enhancing capital investments in new machinery and equipment. Our low dollar makes such investments too expensive and our tax and regulatory environment makes such investments unrewarding. The very investments in productivity gains required to boost the value of the dollar have become too expensive. Our dollar is low because of three factors:

1. A secular decline in global commodity prices.
2. Comparatively large national debt.
3. Comparatively low growth in productivity.

The uneven tax regime across industrial sectors in Canada favours the commodity sector and retards the diversification of our economy away from commodities, which still represent almost 40 per cent of our exports, and exports in turn represent 45 per cent of Canada's GDP. As commodity prices have collapsed, so has our dollar.

According to a recent study by the C.D. Howe Institute, the effective tax rate, net of subsidies, in Canada is much lower than the U.S. for commodities like the forestry sector, where the Canadian effective tax rate is 31 per cent versus 40 per cent in the U.S., yet we tax value-added sectors much higher, like communications, where the Canadian effective tax rate is 50 per cent versus 29 per cent in the U.S., or manufacturing where the Canadian effective tax rate is 55 per cent versus 35 per cent in the U.S.

Simply said, we are under-taxing our commodity sectors and over-taxing sectors which would diversify our economy and lessen our dependency on dollar-weakening commodities. A higher dollar would make productivity-enhancing investments more affordable. Not making these investments makes us less productive, less prosperous, and chases our top brains away.

I reject recent comments in the press that Canadian firms are using the cheap dollar as a crutch without which they could not compete. Yes we should exhort companies to make investments in R&D and technology to boost their productivity and innovation. But the fact of the matter is that such investments have become prohibitively expensive because of the low dollar.

Let's not beat up on our small and medium manufacturers for deriving some export benefit out of a low dollar. Let's tackle the root causes by diversifying our economy, and further reducing the national debt. This will give Canadian companies the currency they need to make the right investments and not "hide" behind a low dollar.

While there are macro-economic levers to pull to boost productivity and innovation, there is also a lot that individual companies can do better. What can we learn from the best innovators? My firm, Adventis, has studied this in detail over the years, benchmarking how leaders such as IBM, GE, Intel, Sun, 3M, Cisco Systems, Motorola and others innovate.

Here are their innovation wins and sins.

Innovation winners:

1. Focus innovation investment in a few core strengths.
2. Mobilise resources to outpace the market through speed.
3. Prototype early and often, allow failures.
4. Track and grow share of new markets and revenue from new products.
5. Balance both short-term and long-term R&D.
6. Pursue aggressive external venturing and win-win partnering.

As a result, these innovation winners can charge a 20-per-cent price premium over their competitors, offer a greater variety of products at a lower cost and in less time than their competitors, and outperform their industry in growth, profit and market share.

In contrast, innovation sinners:

1. Milk the cash cow to death and don't invest in productivity and innovation.
2. Discourage risk and punish failures.
3. Track only share of current markets and products.
4. Think too big and ignore beachhead opportunities.
5. Start few new projects and never kill old projects.
6. Partner poorly, seeking to vertically integrate and own every aspect of their value chain.

These innovation sinners typically under-perform their industry and suffer declining market share and margins.

Let's apply this understanding of why we are falling behind in innovation and the lessons of the best innovators to enabling and focusing innovation in Canada.

First: enabling stronger innovation.

Let's start with the macro-economic picture, which the current government has, to its credit, made much sounder by reducing deficits, the debt, interest rates, and unemployment levels. But if the low dollar impedes productivity-enhancing investments, and the low dollar is driven by low commodity prices, national debt, and low productivity growth, let's tackle these root causes.

To make productivity-enhancing investments in equipment and machinery more rewarding, we need to improve our capital-cost allowance. To make such capital investments more affordable, we need to strengthen the dollar by lessening our export dependency on commodities, by equalising taxation levels across our industrial sectors. With almost 40 per cent of our exports in commodities, we have much further to go in becoming a knowledge economy.

Lessening our dependence on commodities and stimulating economic diversification and growth through tax adjustments will improve the dollar and increase national revenue, thereby further reducing the debt. Businesses will have the strengthened currency they need to make productivity-enhancing investments, which will boost productivity, and improve the dollar.

Canadian businesses don't need crutches. They need the right economic weapons: a fair-valued dollar and a fair tax regime.

We also need to invest more in innovative talent by reaching back in the innovation chain to our educational institutions, making our schools incubators of the knowledge economy. Beyond keeping our good talent in Canada, we need to make Canada a magnet for the most talented researchers, scientists, managers, innovators, and entrepreneurs from around the world, through aggressive and targeted immigration policies.

Second: focusing some of our innovation in what is a new and promising area, an emerging phenomenon which is transforming our economy and where Canada is showing pioneering innovation. I'm talking about convergence.

Convergence is the turbulent collision of the telecom, commerce and media/entertainment industries. It is happening right now and the convergence "moneyscape" is vast, about $3 trillion in North America. The traditional boundaries between communications, broadcasting, and multi-media industries are blurring, creating unprecedented opportunity.

Convergence is being enabled by the broadband Internet, and other technologies, which make communications pipes fatter, content thinner and the cost of transmission lower. Phone lines are becoming entertainment highways with the capacity to carry a vast array of multimedia products and services such as live broadcasting, messaging, movies, music, software, games, books and magazines.

The possibilities of combining the "one-to-many" economies of scale of broadcasting with the interactive and personalised "many-to-many" aspects of communications and a multimedia Internet are limitless.

For consumers, convergence means the fully networked home, mobile banking, ubiquitous commerce, personalised entertainment such as music, movies, radio, news, games, and interactive education on demand, etc.

For businesses, convergence means web-based collaborative working, true electronic commerce and customer management, and up-to-the-minute applications on demand. There is no blueprint for success in this unprecedented convergence collision chamber, yet leaders are starting to emerge, and Canada is one of them!

BCE, for example, is making convergence the centrepiece of its strategy, and is assembling a portfolio of telecom and media assets unmatched by any other telecom player—Bell Canada, CTV, the Globe and Mail, Sympatico-Lycos, and Emergis. BCE is creating breakthrough new convergent applications by leveraging this unique combination of communications and content assets and these new applications will generate hundreds of millions in new revenues for BCE.

Other convergence pioneers include Microsoft, AOL Time Warner, Sony, Disney and Vivendi Universal. However, more Canadian leaders like Nortel, Rogers, Research in Motion, Quebecor, Canwest Global and

Silicon Valley North leaders, such as March Networks and JDS Uniphase, also need to join this convergence revolution.

Canada is quietly becoming a pioneer in this new field, rewriting the business and partnership models and value chain required to succeed. The convergence phenomenon knows no geographic limits and is not scale-dependent; it is skill-dependent. It is about knowing how to build new applications and new business and partnership models, which Canadians are very good at. Convergence is one example where we could focus our innovation and reap enormous rewards.

Now, how do we put all this together into an action plan to strengthen the Canadian prosperity chain? Much is being written about developing a national innovation strategy to develop a broad consensus on what is needed and to co-ordinate the efforts of businesses, governments, research institutions, academia, the financial sector and business associations.

The good news is that innovation, as a driver of productivity and prosperity, is on the national agenda and the current government gets it, but far more needs to be done. Achieving such a broad consensus and holistic co-ordination among all these stakeholders will take a long time. What we need are a few clear goals and actions around which we can rally resources.

Let me suggest three initiatives around innovation, taxation and diversification.

1. Innovation

We must:

- Rebuild our innovation leadership by focusing it in a few areas like convergence where we have the ingredients and we have a lead.
- Triple our R&D spending in select sectors.
- Double the number of scientists and engineers in teaching faculties and in the work force.

- Make Canada the preferred choice for innovative centres of expertise in global companies regardless of their ownership structure or the location of their headquarters. Instead of emptying out our head offices, let's fortify them as centres of innovation where new products and services are developed and commercialised around the world.
- Increase our venture-capital markets to cultivate and keep our innovators. Let our financial institutions merge with each other to achieve the domestic and international scale they need, in exchange for their dramatically increasing their venture-capital spending in Canada.
- Increase the investment in talent, encourage private-sector training in innovation and entrepreneurial management and improve our educational infrastructure in engineering and development.
- Invest actively in a sense of national identity and national "brand."

2. Taxation
   - Further lower the combined federal-provincial corporate income tax rate.
   - Extend tax credits to product development as well as to investments in new technology.
   - Make productivity-enhancing investments in equipment and machinery more rewarding by accelerating depreciation allowances.
   - Shift personal taxation more toward consumption and less on income. Talent that gets to keep more of its wealth and feels more prosperous will stay here.
   - Give recent graduates a tax credit equal to the principal of their outstanding loan for every year they remain in Canada.

3. Diversification

- Lower and equalise taxation levels across industrial sectors to reverse the current under-taxation on commodities and over-taxation of higher value-added sectors, to increase the Canadian dollar and make productivity-enhancing investments in equipment and machinery more affordable.
- Investment and competition will drive innovation, not subsidies and protection.Together, these actions around innovation, taxation and diversification can boost our innovation, productivity and prosperity and make Canada a talent magnet again.

This would lift our confidence and loosen our paralysis of self-criticism and smugness.

I certainly don't have all the answers, but I will be coming back to work on them and urge more expat Canadians to do so. Let's create here some of the same attractive conditions that caused some of us to leave in the first place.

Let us replace self-criticism with action, and complacency with renewed national ambition.

Thank you very much.

The appreciation of the meeting was expressed by Sharon Rudy, Vice-President, Spencer Stuart and Director, The Empire Club of Canada.

March 28, 2002

Alain Batty

President and Chief Executive Officer, Ford Motor Company of Canada

FORD MOTOR COMPANY—THE NEXT TEN YEARS

Chairman: **Bill Laidlaw**
President, The Empire Club of Canada

Head Table Guests

David A. Edmison, President, Martin Lucas & Seagram, Independent Investment Counsel and Past President, The Empire Club of Canada; Melissa Yuen, Senior Student, North Toronto Collegiate Institute; The Rev. Vic Reigel, Christ Church, Brampton; Tayce Wakefield, Vice-President, Corporate and Environmental Affairs, General Motors; Robert Lander, President and CEO, Stackpole Limited; Scott Vickers, President, Summit Ford; John C. Koopman, Partner, Heidrick & Struggles and 2nd Vice-President, The Empire Club of Canada; Catherine R. Charlton Yocom, MA, Co-ordinator, Pro Action Helping Cops help Kids and Past President, The Empire Club of Canada; Peggy Nash, Assistant to the President, CAW Canada; and Hugues Goisbault, Consul General of France.

Introduction by Bill Laidlaw

Many years ago I read the history of Ford. It has to be one of the more interesting books I have read. It detailed the life of Henry Ford and the history of the Ford Motor Company. Henry Ford was a man who changed the lives of people when he came up with the Model T and his technique of mass production.

The entire history of the company and the man are well displayed at the Henry Ford Museum in Dearborn, Michigan which I would encourage anyone to see if they have not been there.

The making of the Ford automobile as I have said changed our lives. The company worldwide is still one of the largest companies in the world.

It has been challenged by the Japanese automobile companies but it continues to hold its own with them and its other two major rivals—Daimler Chrysler and General Motors.

Ford today is not what it was yesterday when you add the likes of Jaguar and Volvo to its stable.

The company today is still one of the most exciting places to be in business and who has not owned a Ford in his or her lifetime? In Canada there is seldom a day when you do not pass a Ford plant, as I do every day in going to work past Oakville, see a Ford dealership, or read one of its advertisements.

Today the company is going through some challenging times as it has in the past. The challenges of the Firestone tire and increased competition are issues Ford has dealt with and is moving on.

The automobile industry and the associated parts manufacturers are extremely critical to our economic health in Ontario and in Canada. Without that economic input our economy would certainly be in trouble.

Today we are very fortunate to have as our guest, Mr. Alain Batty, the current President and CEO of Ford Canada. I have had the good fortune of hearing him speak before and we are very fortunate to have him as our guest today. Alain is the fourteenth President and CEO of Ford Canada.

He has held this position since April of 2001. An employee of Ford for 25 years, Alain has held many positions within the organisation and served in a number of marketing and sales functions.

Throughout the 80s and 90s he served as Managing Director of Ford Operations in Spain, Portugal, Belgium and Luxembourg. Prior to becoming President of Ford Canada, he was the President of Ford Russia and the Commonwealth of Independent States.

For the past few years Alain has been in charge of establishing Ford's commercial and manufacturing operations in Russia and the Commonwealth of Independent States. This includes the launch of one of Ford's biggest ventures to date—a US$150 million Ford Focus plant outside St. Petersburg. This venture makes Ford the first global automaker to have an assembly plant in Russia.

In 1995 he was appointed Executive Director of Ford's Asia-Pacific and New Markets Region. Under his leadership, operations in Taiwan, New Zealand and Australia achieved record profits.

Alain was also an integral part of the development of an integrated service, sales and marketing organisation within the region, and successfully merged Ford's operations in New Zealand and Australia.

Alain holds a Bachelor's Degree in Administration and a Doctorate Degree in Strategy Planning.

He resides in Toronto with his wife, who is from Quebec, and their two children.

Alain Batty

Thank you, Bill. It is both an honour and a challenge to speak to such a distinguished group of members and guests, corporate leaders and business colleagues. Next Tuesday, April 2, marks the first anniversary of my appointment as President and CEO of Ford of Canada, and it has been quite a year.

For business and personal reasons, I am delighted to be back in Canada, where I lived while a business student in the 1970s. It was here that I met a young literature student, Ginette Audet, who became my wife. Her dad is 96 and still very strong, so we are glad to be back in Canada. When we got married, I told him I would look after her and then we disappeared, as you heard from Bill. It has taken 25 years for us to come "home"; I'm lucky she's a patient woman.

I have inherited a company with a proud Canadian heritage, a company that has continually worked to earn the loyalty of Canadian consumers for almost 100 years. We are a company whose investments and jobs have helped provide five generations of Canadians with one of the highest standards of living in the world. The automotive industry is tough. It is a very capital-intensive industry, with long lead times for product development in an environment where changes are accelerating, markets are fragmenting, and competition is always cost-cutting.

What are we doing today to make sure this 100-year old company is as vibrant for the next 100 years as it has been for the past 100? Just as Henry Ford wrote the rulebook for entrepreneurs in the last century, we are rewriting some important chapters that will guide entrepreneurs for the next 100 years.

First, let's see how we got where we are today. Last year, while we were dealing with a slowing Canadian economy, the U.S. economy decelerated much more quickly than anticipated—worsened by the unimaginable attacks in September.

In addition, not only are Canadian-U.S. exchange rates at historic lows, 20 cents in the last 10 years, but the world's currency exchange rates continue to favour some of our strongest competitors. And, as you can imagine, the zero-per-cent financing we put in place last fall to prop up sales also raised marketing costs significantly. We worked hard in 2001 to put some key fundamentals in place and we announced strong revitalisation plans in January. We made some difficult decisions and we'll continue to face challenges, but our momentum is building and I am cautiously optimistic. For the first three months of 2002, sales have been off to a great start, and Ford's market share is holding up well, but that's market share without quality revenue.

Although we see some improvement here, we have to be cautious because global businesses face global challenges beyond the economics of foreign exchange. After September 11, there was much speculation about difficulties transporting and exporting into the U.S. We had worries about crossing the borders because Ford of Canada exports about 80 per cent of what we build here—about $18 billion worth.

However, all borders are not man-made and guarded by immigration and customs officers. Although physically crossing the border with our products was actually less difficult than we expected it to be in the wake of the

World Trade Center attacks, we increasingly find that doing business across our borders in 2001 is even more challenging because of economics, different market segments, currency exchange rates and trading policies.

Almost 20 years ago, the late Henry Ford II spoke to the Empire Club and his remarks centred on international trade and the challenges of creating free, but fair, trading policies. He spoke of the 1965 Canada-U.S. AutoPact fondly, as the "symbol of an enlightened approach to such concerns" and "one of the success stories of modern international co-operation." As we all know, Canada's most successful trade policy of the last 40 years has gone into the history books in February last year, taking with it the economies of scale that allowed us to reduce costs and increase quality. It is interesting to note that at the same time in 1967, Henry Ford was creating Ford of Europe by federating in one entity all the separate, splinter companies we had in all different countries. What a visionary, if you consider that Europe itself is still in the making today.

Our bosses, the customers, expect that we will continue to deliver the best products we can make at some of the lowest vehicle prices in the industrialised world—nearly 15 per cent lower than in the U.S. The challenge is that we have to balance the performance of the company with an ongoing commitment to our customers and still run a viable business. And while we must compete on a daily basis, we must put plans in place that emphasise long-term strength and stability in our business, help smooth out the peaks and valleys of a cyclical marketplace, which is key to our rebuilding strategy for the coming years.

In North America, our priorities are to rebuild the product pipeline, introducing an average of 20 new models per year through 2006 and leveraging our strong portfolio of brands—Ford and Lincoln-Mercury, Jaguar, Land Rover and Aston-Martin, Volvo and Mazda.

As we do this, we must also improve our quality, and we have specific action plans and targets to measure our success. The bar keeps moving up but we have plans in place to provide the necessary skills and resources to carry out our quality plan.

At the same time, we are also working to reduce costs and the full benefit of our cost-improvement efforts will take some time to realise. Competitive pressures, safety and emission actions and our strategy to improve customer satisfaction will result in margin pressure for the next several years. In addition, R&D expenses and capital expenditures for future products will further increase costs. However, by mid-decade, our margins are projected to be restored to healthy levels, resulting in strong profitability.

There is a lot of inertia in our business, so you have to work hard at various levels at the same time, knowing that the results will only be evident four or five years or more down the road. We are right now living through the business plans somebody else created five years ago; 10 or 15 years for some engine families, and more for heavier investments. The environment has changed, obviously.

Another key element is to right-size our manufacturing capacity. The thrust of our plan is to get to a more profitable and flexible manufacturing system that involves more conservative planning and increased model flexibility. We need to size our business appropriately and that means making difficult, but necessary, decisions that will realign capacity with the company's business structure and market conditions. World auto production capacity exceeds market demand by 22 million units—88 plants' worth of production. In North America, overcapacity accounts for six million of those 22 million units that won't be built because there are not enough consumers to go around. That means "lights out" permanently for 20 or more production plants in North America.

Why do we have so much excess production capacity? We are experts, with 100 years' experience. Are we stupid or are we just poor at doing the math? Well, the manufacturing systems that are in place today are very inflexible and have led to overcapacity. As a result, we have the capacity to build 5.7 million cars and trucks in North America, but we only need 4.8 million for an all-time record year.

This is the core issue we have to address for the long term. For Ford, this means closing or not identifying new products for seven plants in North America—one in Mexico, five in the U.S. and, regrettably, the single-shift Ontario Truck Plant in the 2004 model year. And after that, we have to introduce flexible manufacturing—that is to say being able to produce more than one platform in a plant. The first one will be the Rouge complex, with up to three different platforms and a much better capability to follow changing demand patterns.

Ford's Canadian operations could not expect immunity from the larger, North American restructuring. Ontario Truck Plant was particularly vulnerable in this regard. It operated on one shift for eight years, rare in the automotive industry. But, even after the truck plant closes, which won't happen before 2004, probably in the first quarter, Ford of Canada's share of North American production will remain about equal to what it is today, around 12 per cent of the total production volume.

The news isn't all doom and gloom, either. Three weeks ago, our joint-venture partner, Nemak, began work on a huge expansion of the Windsor Aluminum plant, bringing with it the promise of around 100 new jobs. Our Windsor operation is a global centre of excellence and the source of high-technology engines.

All in all, we have invested well over $8 billion in Canada since 1990 and have worldwide mandates for products from our St. Thomas plant where we are adding the 2003 Marauder to the line, and keeping the production rolling. Our Oakville plant is the single source for the Windstar minivan. Each of those plants has products planned for their future—products that will keep them up and running for many years to come.

Our plans also stress a strong commitment to future product actions and a strong commitment to buy components and do business in Canada. We are increasing our purchase of Canadian parts and components to about $7 billion by 2004 or 2005, up from $4.5 billion only months ago. We need help from our suppliers to find ways to reduce costs. And we are willing to split the savings 65/35 for your help.

In all, Ford operations employ more than 16,000 people in Canada. In addition, another 21,000 Canadians are employed in the 515 Ford and Ford-Lincoln dealerships located in all provinces and two territories. We have a dedicated team of dealers and employees who are 100 per cent behind us as we build momentum and move forward in the marketplace.

There's a bond people feel with Ford Motor Company that can't be duplicated at other companies. We're a family company, and as long as I've worked here—for those 25 years with my family, in virtually every corner of the globe—Ford has that family feel to it. With Henry Ford's great-grandson at the helm, we think there's tremendous leverage in trust. More and more people around the world want to do business with companies they trust. No matter the industry and no matter the product. Companies must offer quality products, value and put the customer first to earn this trust and be socially responsible companies.

That sense of commitment and responsibility—of family—in our community is crucial to who we are. Running facilities around the world, I have concluded that there are four key pillars on which our business is built. One of them is corporate citizenship. In Oakville, Windsor, Brampton, and St. Thomas, we have major operations and thousands of employees. We are very active in supporting community initiatives that improve the quality of life for our people, their families, friends and neighbours—our neighbours. Our employee volunteer programme encourages every salaried employee to spend up to two days each year, fully paid, working in some way toward a worthwhile cause. Last year, the response was tremendous and our employees donated more than 5,000 hours of their time to community service projects. We try to build rich and rewarding, long-term partnerships such as our major sponsorship role in the Run for the Cure and other causes we support, or with the United Way and the Juvenile Diabetes Research Foundation.

The second pillar also has to do with giving back in environmental leadership. That's why all of our facilities are certified to the tough ISO 14001 standards. We think that environmental stewardship is the basic price of admission. Even as we work to right-size our business, we're investing huge sums in future technologies, including Ford Motor Company's $600-million investment with Ballard Fuel Systems in British Colombia for hybrid electric vehicles and fuel cells. And you saw yesterday in the news that Ford donated 500 electric vehicles to be used in national parks throughout California. The donation represents the largest gift of alternatively fuelled vehicles ever made and we expect to have production models of both technologies on the road within just a few years.

The third pillar is about building relationships at all levels. To me there is nothing more important than creating a corporate environment that makes it possible for all our employees to bring their very best to work every day, and in return to be recognised for their accomplishments and their potential. Helping Ford become an employer of choice is a personal passion of mine, and is all about the family relationships. It is about building relationships at all levels—dealers, employees, and unions—and also with suppliers, the local community, government, business leaders like yourselves and journalists.

And finally, most important, is the focus on the customer—the fourth pillar. That's the most critical relationship of all. This is not easy because the customer is not your friend; the customer thinks for himself. A customer will reward you, but you can take nothing for granted. Every contact with your company must confirm to the customer that she or he made the right choice in choosing your product. It may sound trite, but if we always do what's right for the customer, the rest will follow. It's simple to say, but very demanding to put into practice. It is a balance, but in case of doubt, I always take the side of the customers. In my company, I am the advocate for our customers—dealers, fleet or retail customers. I feel strongly that I cannot delegate that responsibility.

Now, allow me just 30 seconds of advertising.

Did you know Ford has been the top brand in Canada for 10 years and that in 2001, Ford remained the top-selling brand in Canada with three products among the top-10 selling vehicles in the country—Ford Focus, Windstar and F-Series. Our products dominate in key segments of the industry.

Explorer is the best selling SUV in Canada, and Escape was a close second.

F-Series was the top-selling pickup in Canada for the 36th consecutive year.

Focus is the best selling car in the world and one of the top-10 sellers in Canada. Having a strong small car is key in Canada.

Mustang is the number-one small specialty car.

Econoline is number-one full-size bus or van, and the new Thunderbird was named the Motor Trend Magazine "Car of the Year."

The list shows the tremendous vitality of our brands and, as I said, if we do the right things for the customers, they usually give it back to us in sales, volume and profits.

I am truly honoured to join the list of presidents of Ford of Canada to address your club going back some 50 years or more. I am impressed by your group and tried to share some of the insiders' views, as colleagues would do. I was interested to learn that the Empire Club has been providing a forum for diverse points of view since 1903, which was just one year before Henry Ford and Gordon McGregor began a venture that established the Canadian automobile industry as we know it today—Ford of Canada.

In about eight weeks, we will be moving Mr. McGregor's desk out of the lobby of our old building into our new headquarters in Oakville, before we implode the old Central Office Building. As soon as the new building is up and running we will be delighted to invite you all to stop by for a visit—just like family and colleagues. We are very proud of the new building, and it will be a strong statement on the modern Ford motor and our readiness for the next 100 years.

It is perhaps a bit over-used to say that Ford is a part of the fabric of Canada. We are part of the family that is Canada. And I want to thank you again for the opportunity to be here and for your attention.

The appreciation of the meeting was expressed by Catherine R. Charlton Yocom, MA, Co-ordinator, Pro Action Helping Cops help Kids and Past President, The Empire Club of Canada.

April 2, 2002

Michael Dell

Chairman and Chief Executive Officer, Dell Computer Corporation

LIVE ONE-ON-ONE WITH MICHAEL VAUGHAN, HOST OF ROB-TV'S "BOTTOM LINE"

Chairman: **John C. Koopman**
2nd Vice-President, The Empire Club of Canada

Head Table Guests

Malcolm J. MacKillop, Partner, Borden Ladner Gervais LLP and Director, The Empire Club of Canada; Dexter Hinkson, Youth and Family Pastor, Christ Anglican Church; Michael Vaughan, Host of "Bottom Line" Report on Business Television; Doug Cooper, Country Manager, Intel Canada; Terry Mosey, President, Bell Ontario; Robert Beauchemin, Chairman, MEI Group and Corporate Executive; Lawrence Pentland, Vice-President and General Manager, Americas International, Dell Computer Corporation; Michael McCain, President and CEO, Maple Leaf Foods Inc.; K.Y. Ho, Chairman and CEO, ATI Technologies and Director, The Empire Club of Canada; Ed Grondahl, Vice-President and General Manager, Dell Account, Celestica International; John Dowd, President, EDS Canada; David Arthur, President and CEO, Brookfield Properties Limited; Peter S. Janson, President and CEO, Amec Inc.; and Geoff Haydon, President, EMC Canada.

John Koopman

The turn of the last century was dominated by entrepreneur geniuses: Ford, Morgan, Carnegie, Rockefeller, Vanderbilt. The names are familiar to all of you. A populist history book published at the height of the great depression has regrettably stuck these industrialists with the misleading label "robber-barons." In fact, nothing could be further from the truth.

Cornelius Vanderbilt did not make his fortune exploiting the masses; he made it breaking a price-gouging monopoly on ferry service across the Hudson River. He cut the going rate for ferry traffic by 75 per cent and won significant market share, but obviously no friends among his competitors.

John D. Rockefeller's Standard Oil did control about 90 per cent of the American oil business between 1870 and 1900 but oil prices dropped year on year throughout that 30-year period.

Andrew Carnegie built 3,000 libraries across America.

JP Morgan believed that trust, integrity and character, not cash, were at the heart of banking—and his life was dominated by these principles.

When Henry Ford introduced the Model T, he believed his plant workers should be able to afford to buy the car they were making, and he paid his labourers the then-exorbitant wage of $US 5 a day, which pushed up wages for working men across the country.

As the last century wore on however, business and society changed. In the early 1920s Frederick Taylor wrote the obituary for the age of great industrialists in his seminal article on the principles of scientific management when he said: "In the past man had been first, in the future the system must be first." And for the rest of the century, organisational man dominated. The age of titans was replaced by the age of organisations. Business became an academic discipline, MBAs proliferated and management consultants reigned.

Rockefeller's Standard Oil was broken-up, Edison's "Edison Electric Company" became a division of General Electric, and Carnegie Steel was acquired by a conglomerate named US Steel. And the General Motors organisation dominated North American car markets throughout most of the 20th century—but we should never forget that it stood on the shoulders of the men, not cars, named Ransom Olds, David Buick and Louis Chevrolet.

In the past decade however, the wheel of history has turned: a century later the titans are back. Only now their names are Jobs, Gates, Ellison, Turner and Michael Dell. As for organisation man, 100 years after its founding, a Ford is again running the Ford Motor Company, and my Internet connection comes from a man named Rogers.

Michael Dell was born in 1965. At the age of 12 he washed dishes in a Chinese Restaurant to save money for a stamp collection. At 16 he sold subscriptions to the Houston Post and earned $18,000 in 12 months. He was a university student in 1984 when he noticed that PCs cost $3,000 but the parts only cost $700. He built and sold computers from his dorm room. His parents wanted him to quit this foolishness and get into medical school. He thought otherwise. As the limerick says:

There was a young genius named Dell
Who broke from academia's spell
Both the bits and the bytes
He assembled just right
Now this drop-out is doing just swell.

Now, 18 years later, Mr. Dell continues to do swell and his shareholders have enjoyed fabulous returns. Like the titans of a century ago however, we should never forget that the successful entrepreneur genius benefits us all. Thanks to the information age we are facing the most massive transfer of power from producers to consumers since the dawn of the industrial revolution. The collective benefit of the information revolution to consumers around the world dwarfs the private pecuniary gain of the shareholders.

Speaking on behalf of consumers everywhere, thank-you Mr. Dell for the role you have played in this revolution.

Although the opinion is by no means unanimous, The Empire Club is no slave to tradition. We are going to run a different format for this meeting. Mr. Michael Vaughn the host of ROB TV's Technology Tuesday is going to engage Mr. Dell in a hi-tech version of a fireside chat. Ladies and gentlemen please join me in welcoming Mr. Michael Dell the Founder, Chief Executive Officer and Chairman of the Board of the Dell Computer Corporation to The Empire Club of Canada.

Michael Dell

I like ambiguity and I also like questions. I find I learn more from questions than I do from just giving answers because you get to know what people are feeling. I hope this will be somewhat interactive with the audience. We'll get to hear questions and comments from the audience. I always learn a lot more when I hear from other people.

Michael Vaughn

An entrepreneur is an improviser. You have to take in all the inputs when you get them and make your decisions on the fly. You've been doing that for a while.

Michael Dell

That's one of the fun things about our business. It changes very rapidly. When we go to college campuses and we recruit, we tell people if you want things that never change and always stay the same don't come to our company. In fact, don't even go into our industry. I think with the underlying technologies that are affecting our industry and all industries, the rate of change is increasing at an accelerating pace. This sort of turmoil is a given we're all having to deal with.

Michael Vaughn

How can you respond and have you really thought through what it is you add value to and what you are doing that can sustain itself over time? How can you evolve given all these changes? There are a lot of balls in the air.

Michael Dell

Well an entrepreneur has got a lot of balls in the air and I think it's important that people think about the origins of entrepreneurship because our economy and everybody's economy needs people who are going to go out and make things happen.

Michael Vaughn

In reading your book it seems that you were from a business family. You used to sit around the dinner table and talk business with your parents. I think that's an important thing for a kid.

Michael Dell

Well they kind of started the conversation. I wasn't talking about this stuff as a little boy, but my father was an orthodontist and my mother was a stockbroker although she prefers to call it a financial planning consultant or something like that. But you get the idea. And yes there was a lot of discussion about the economy and interest rates and what the Federal Reserve was going to do and what the oil crisis meant and how the economy worked. I became interested in those things.

Michael Vaughn

Do you think it's important for kids to get tuned into that stuff early?

Michael Dell

Well it certainly was for me. I think it's great if the opportunity presents itself.

Michael Vaughn

You hardware guys are amazing. You work harder and harder to drive costs lower and lower, but prices go lower with them. How much more can you squeeze out of this commodity? Maybe you should really be in vacuum cleaners or something with more room.

Michael Dell

Every technology whether it is in the computing world or the communications world goes through a process of creation where it tends to be fairly expensive and low volume and it has proprietary technologies. Industry standards then get created, the price starts to come down, and ultimately it becomes sort of a commodity. Now a lot of technologies have an improvement process that always occurs. For example, the computer you use today is probably a lot faster than the one you were using five years ago. That process will always continue. There are underlying technologies like semi-conductors where it costs a lot of money to produce these dramatic improvements in performance. So the price isn't going to go to a dollar but as we keep bringing in new technologies and making our products more exciting and more interesting people create new uses for them. When you get a high-speed connection like a cable modem you now have a different possibility in terms of how you can use that device and if you get wireless like 802.11 then you…

Michael Vaughn

Is that the standard? Is that going to be the one?

Michael Dell

For notebooks it's very much the standard today. There is probably close to 10 million 802.11 notebooks out there. A GPRS will also be used.

Michael Vaughn

Will we have it in the home?

Michael Dell

802.11 is proliferating pretty quickly in the home. You connect an access point up to your broadband connection inside your home. Universities, coffee houses, hotel chains and public places are putting in 802.11. Offices have it. Airports.

Michael Vaughn

Will I have a wireless modem in my next Dell?

Michael Dell

Well you can get one now. You don't have to wait. We take all major credit cards. And for you we have a special deal.

Michael Vaughn

Which expires Friday. I know how it works on that website.

Michael Dell

What has happened is that the radio and the antenna are embedded inside the notebook so instead of having cards with things coming out of your computer it's all built in. So yes, we've built the 802.11 wireless standard into the notebook. People really enjoy having that kind of speed and taking it with them.

Michael Vaughn

Well everybody knows about giving away the razor so you can sell the razor blades and it seems that it is in software where the serious money gets made. If you look at Microsoft now, the X-box, I think they sell it for less than it costs them to make it, and the Play Station with Sony. They want to sell you the software. To keep Dell going where it's been going, don't you really have to be into the software business?

Michael Dell

We actually have a very good business selling computers and it works pretty well for us.

Michael Vaughn

The Chinese are going to figure that out soon.

Michael Dell

We have a lot of Chinese guys who work for Dell too. I was in China a few weeks ago. We have a big factory there. We have a lot of Chinese employees but they don't own the world in terms of invention and creation. But there are a lot of resources there that we can utilise as part of our business. I think the more important point for us is that we have been able to broaden our business. Yes, we are quite successful in the desktop and notebook. We have been able to broaden into the server market and storage market, into services and networking, and software peripherals and a bunch of other things that kind of go along with the product and we've been consistently profitable in a pretty challenging period in our industry because of a better business model.

Michael Vaughn

The buzz is that you're going to start going after the verticals with customised hardware and software. IBM has been big doing that with the banks. Have you got some verticals in mind to do the software hardware number on?

Michael Dell

If you look at where we are providing product, we are leading the market in desktops and notebooks. We are almost there in servers. We are number one in the U.S. in servers and number two here in Canada, but growing quite rapidly. Our product is applied into lots of verticals but it is still a horizontal product. Now we work with all of the relevant software companies to approach different ends of the market but we're really not developing our own vertical software to go after those, so we would have alliances with Oracle and companies like that to target unique parts of the market and take on more of the responsibility in preloading and delivering a solution to those customers.

Michael Vaughn

So the buzz isn't far off then?

Michael Dell

I think the idea of one company trying to do it all is really not necessarily the answer. Our business is about partnerships—with suppliers, with customers and with other companies—and that's how we've grown to $32 billion in 18 years. Not by trying to do it all ourselves.

Michael Vaughn

But everybody wants to know where you're going. You took on the servers, the work stations, and the storage in the servers when you had to go there and everybody is saying: "Well what's Dell going to do next?"

Michael Dell

There's still a lot of that to do. We only have 14 per cent market share in PCs. We'd like to have 40 per cent so that is really a big part of it. A new area we've launched into fairly recently here is the networking business—in data networking—specifically in LAN switching. And that opens up a whole new sector of communications which I think is just at the beginning of going through this process of industry standards being formed, Ethernet being one of the primary ones, and Dell being able to apply its business model to those products as well. For us the new areas are storage and partnership with EMC there, it's networking, it's services and of course we still have geographic expansion. We have got a lot of places in the world where growth is much higher than in North America and our market share still has a lot of room for improvement.

Michael Vaughn

Well you have to keep your eye on the game at home and I know you do but it's the global growth that can sustain you. Well let's talk about some of that. First of all, Canada—why Canada? This is a market the size of California. What's its significance for Dell, not only as a place where you sell product but also what can you source here? And of course you're sitting with K.Y. Ho which is a good sign.

Michael Dell

Well K.Y. is a great supplier, a great partner for us and I understand we're their biggest customer as well.

Michael Vaughn

He said that proudly. He was all over you.

Michael Dell

We should be his biggest customer, because we are the biggest customer for just about everything related to computing because of our market share. We have other great partners here in the form of Celestica and many other technology companies. Of course we have a lot of great customers here. Companies like Nortel and Bombardier and many many others here in this room. We are very appreciative of your business. Thank you very much. We're here to grow and to serve the market and to help empower enterprises. We believe that this industry standard creation process is really taking hold in enterprise computing and there's a lot of opportunities there because there has been a lot of proprietary lock-in, there's been a lot of expensive technology and we plan on doing the same thing to those markets that we've done to all the other markets we've been in.

Michael Vaughn

Go direct with Dell.

Michael Dell

Why not?

Michael Vaughn

When you pulled out of retail everyone scratched their heads about that. That was a gutsy thing to do. You haven't regretted that for a nanosecond.

Michael Dell

Well fortunately we weren't in retail for very long and it never represented a very large percentage of our business. But what we figured out was that we didn't really need retail stores to sell to the consumer.

Michael Vaughn

Well they're taking a slice of your margin but I like the connection that you're trying to make with the customer.

Michael Dell

The relationship with the customer is absolutely critical to us in having the information from the customer and in the way we build and develop our product and also to support that product over its lifetime. And interestingly enough we have now become number one in the consumer market in the biggest market in the world after we exited the retail chain in 1993–1994. All the people said Dell is going to be a niche and here we are number one in market share.

Michael Vaughn

There's a lesson there. They were saying the Internet makes everything in the middle go away because you can go direct with Dell and some others. What are the other opportunities for people in other businesses to go direct?

You have written a book on that? Where else do you see it moving?

Michael Dell

I think there is a lot of friction that exists in the system based on things that were done to anticipate as opposed to having perfect information. What I mean by this is that if you go to a typical retail store and you want to buy something they've guessed what you're going to buy so that they have a lot of things there and sometimes they guess right, sometimes they guess wrong. And behind that retail store there is a distributor that is also guessing and behind that is the manufacturer. So you have all these different layers from the consumer all the way back to the manufacturer that can take 60, 90, 120 days and often you get the wrong stuff by the time it gets translated back. So the opportunity is to close that 90, 120-day gap. It clearly works in products where there's a rapid change in technology and high cost in distribution. So computing and communications are active targets. That is about a one-trillion-dollar industry right there.

Michael Vaughn

In the automotive business they haven't got off first base on this one and you think it's a natural. At least I would.

Michael Dell

Well I'm not in the automotive business. I like cars and I like car companies because they are our customers but we're not getting into the car business.

Michael Vaughn

Well he's got his name on the wall. Ford.

Michael Dell

We've shared a lot of information with him and a number of car companies have done a lot to improve their relationship with their suppliers. We now get deliveries every two hours from our suppliers.

Michael Vaughn

Three days worth of inventory. Amazing.

Michael Dell

We don't have any raw materials, we don't have any finished goods. We just have work in process and transit inventory that's on the way to the customer. We have a lot. It just moves really really fast.

Michael Vaughn

It is the execution of this thing. I know we are jumping around a bit but I've seen lots of entrepreneurs who've been able to get a business to a point and maybe it's five million, maybe it's 10 million, maybe it's 50 million but then it's the execution of the details where it falls down and the business has to be handed over to the pros to take it the next step. How did you keep getting over the hurdle to be able to take it to the next step and the next until you got somewhere from zero now to north of thirty billion?

Michael Dell

Well we always surrounded ourselves with the best talent we could possibly find and we were never afraid to share the responsibilities. There's way too much to be done in our business.

Michael Vaughn

Usually the founding entrepreneur really does believe deep inside he knows it all.

Michael Dell

I certainly don't believe that in my case and I know that we've been able to hire people who are far better at many many tasks than I am. I'm curious and resourceful but not necessarily the best person to run one of our factories. And these things run like a top. I'm amazed when I go there. They've got everything going and it's fantastic. My job is to challenge them with new goals and to set aggressive targets for them and say okay now you've got 96 hours of inventory, how can you get to 50 hours?

Michael Vaughn

The metrics. The famous metrics.

Michael Dell

We are a data-driven company. It's a result-oriented company and we look at those things that really make a difference for our customers. How do we resolve problems rapidly and do it the first time? How do we drive the cost per service incident down?

Michael Vaughn

You didn't know anything about that stuff when you were starting 18 years ago.

Michael Dell

If they taught it at my high school I must have missed that class or fell asleep or something. We learned by making mistakes and we learned by taking the experience from people joining our company from other organisations.

Michael Vaughn

Well you've got to learn something about China. Well I mean if they get it right that's the biggest economy in the world. You're in there. How do you go about it? How are you going to go direct to Dell in China?

Michael Dell

Well we're already selling quite well in China. It is already 45 per cent of our business in Asia-Pacific if you exclude Japan. We've had to do some new things there. The business customer buys in a fairly similar way to business customers in North America. They work with us face to face or they work over the telephone, they work on the Internet. But you get to the consumer and you don't have credit cards. You have debit cards, and you have a kind of bank payment system. Now we're selling computers to consumers in China literally with television ads and in newspapers all across major cities in China. There's a lot of big cities in China. So the customer contacts us on the phone. On completing the sale they get an order number and the amount of money that that computer costs. They go to the bank and they say okay here's my order number, here's my $550 in cash, in their case it would be RMB, and within an hour or two that amount of money is transferred to Dell for that order number and we then ship that computer.

Michael Vaughn

Build it or ship it?

Michael Dell

We kind of do both. We build it and ship it. We also have a debit card system where we can deliver the computer. The delivery company has a wireless hand-held terminal. You put the debit card in, you enter the amount of money, the customer signs for it, that amount of money goes from their bank account to our bank account and here's the computer. So it is literally paid in advance and that's overcome the payment system. If there's a will there's a way. We have figured out how to do it and it's working quite nicely. And we've some great marquee customers in China.

Michael Vaughn

You've got some great competition in China in Legend too. They've got their own shares.

Michael Dell

Sure. In every country you go to there's strong local competitors. Legend is a strong local Chinese competitor but we've been able to price quite aggressively and certainly in the server market we've beaten Legend and in the work station market we've beaten Legend. Even in the business market in a lot of sectors we appear to have beaten Legend. In the consumer market they are way ahead of us. But we're coming up pretty fast.

Michael Vaughn

What's your take on China? Are you going to be able to establish there and run a good capitalist successful organisation in the People's Republic?

Michael Dell

It appears that we're on a path of success there. We've already got about 5 or 6-per-cent market share. We haven't been in there very long and what we're seeing with this WTO process is a normalisation of business practices that is illuminating some of the sort of interpretation of the law. I read for example in the online news about our industry that one of our competitors, actually the one you just mentioned in China, had to recall some of their product because of a defect. The commentary was that nobody had ever done this before in China and there's no laws about it and it had to be developed and so it's that kind of a market where everything is new and nobody quite knows what's going on so they kind of make it up as they go along.

Michael Vaughn

Dell Ventures has got a huge pot of capital. I think it is something like $800 million. What are you putting it into? What is the new thing?

Michael Dell

Well we have as a company about $8 billion in cash because our business generates a lot of cash flow. If you know our business you know that it generates a lot of cash flow and doesn't consume a lot of cash flow. It's a good thing for businesses to do. If you get a business like that you should keep it. And we've done a number of things with that cash. Of course we reinvested in our business, building new countries, building new product lines, we buy back our own stock. In fact we repurchased about a billion shares of our own stock which turned out to be a good thing to do. We've bought back like a third of our own shares. And then we've invested small amounts of money in minority stakes in smaller companies in emerging technology areas. Like storage and services and things that are out there in our future to get some new technology, to get some feel for where the market is going.

Michael Vaughn

These are related areas. You're not going over the wall.

Michael Dell

We're not investing in far-flung things that have nothing to do with Dell's business.

Michael Vaughn

What do you think the today's Michael Dells are working on back in those dorms?

Michael Dell

I think the nature of all industries with this technology disruption is creating opportunities for new businesses all the time. The challenge that existing businesses have and we would be one of those now is that you don't tend to see things from the attacker's eyes. Hopefully that's the spirit that we keep having in our business. We want to destroy our own business before somebody else does. But you sort of look for big markets that are inefficient where some new technological change or some new business model change can create a massive opportunity. Now that's what we were able to create and it's still working and working in new markets. I guess I shouldn't be amazed at this any more, but one of the most common questions I get when we go into new markets is: "Well that's not going to work because nobody has ever done that before." I wonder if one day people will figure out that we've been successful by doing things nobody has ever done before. And it is good to be underestimated.

Michael Vaughn

You used an interesting phrase which you don't hear from Canadians. It is the difference between a Texan and a

Canadian. It is: "We want to destroy our business before somebody else does?" That is the way you have to approach it, isn't it?

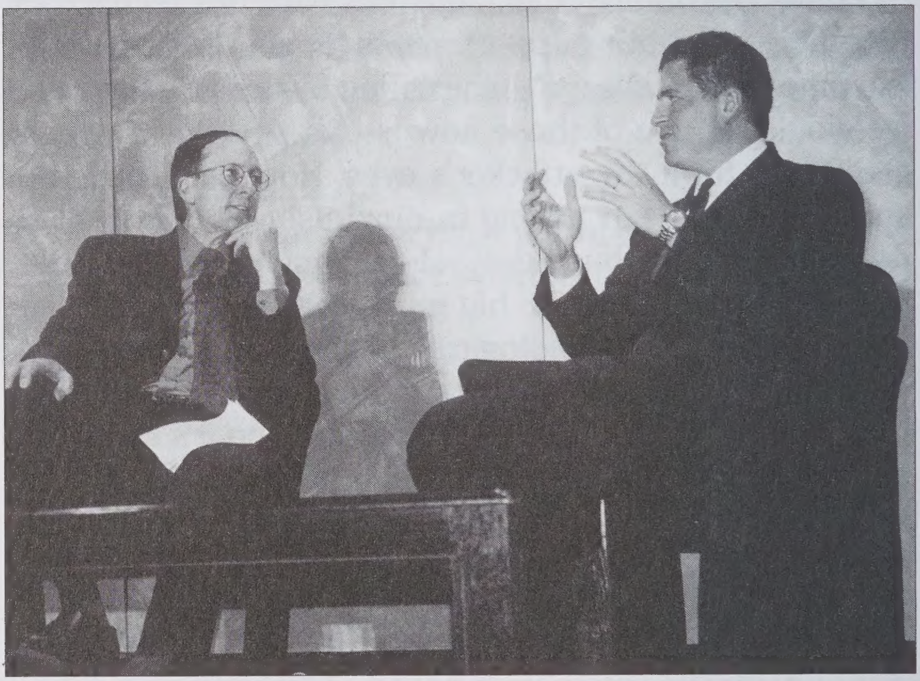
Michael Dell

Well we know if it can be done it is going to be done so we should do it to ourselves before somebody else does it to us.

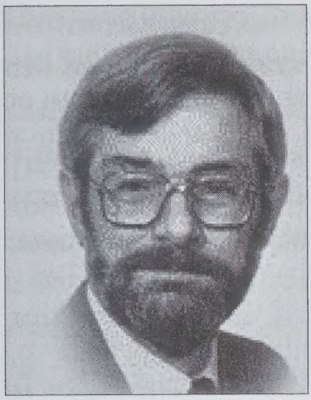
Michael Vaughn

Michael Dell it has really been a pleasure. Thanks for your time.

The appreciation of the meeting was expressed by Malcolm J. MacKillop, Partner, Borden Ladner Gervais LLP and Director, The Empire Club of Canada.



Michael Vaughan, Host of "Bottom Line," Report on Business Television and Michael Dell, Chairman and CEO, Dell Computer Corporation..



April 9, 2002

Derek Oland

Chairman and Chief Executive Officer, Moosehead Breweries

BIG FISH FROM LITTLE PONDS: CAN CANADA'S REGIONAL COMPANIES SUCCEED IN THE GLOBAL ECONOMY?

Chairman: **Bill Laidlaw**
President, The Empire Club of Canada

Head Table Guests

William G. Whittaker, QC, Partner, Lette Whittaker and Honorary Director, The Empire Club of Canada; Adam Lank, Grade 11 Student, North Toronto Collegiate Institute; Grant Kerr, Associate Minister, St. Paul's United Church, Brampton; Murray Lloyd, Owner, Murray Lloyd's Chaps; Courtney Pratt, CEO, Toronto Hydro; Major The Hon. Joseph H. Potts, OStJ, CD, Retired Judge, Superior Court of Justice Ontario and Past President, The Empire Club of Canada; The Hon. Frank McKenna, PC, QC, Counsel, McInnes Cooper & Robertson and Former Premier of New Brunswick; Sharon Rudy, Vice-President, Spencer Stuart and Director, The Empire Club of Canada; Matthew Oland, Senior Category Business Development Manager, Colgate Palmolive; Mark Palmer, President/Owner, Palmer & Company; Libby Burnham, Lawyer, Morrison Brown Sosnovitch LLP; and Trevor Goodgoll, President, Goodgoll Curtis Inc.

Introduction by Bill Laidlaw

As an historian I am well aware of the history of Canada and the important role that all of its regions play in the economic growth of our great nation. I am aware that at the time of Confederation our East Coast was envisioned to be equal, or greater to, the east coast ports of Boston and New York. Certainly in those early years our Canadian east coast ports were the rivals of their U.S. counterparts. Halifax was the New York City of Canada.

Times as you know have changed and it appears that our economic drivers now lie in the golden horseshoe region of Ontario, Calgary, Vancouver and the Montreal region. The Maritime region is still holding its own, but times have clearly changed.

Having worked for a foreign multinational that looked to the Maritimes as a place of interest, I know the pros and cons of investment there and how much the Maritimes appreciates national and international investment.

Today we have as our guest Derek Oland. Here is an entrepreneur who has made a success of operating and growing several businesses from a Maritime base and he is here to tell us how it is done. He is also the brewer of one of the finest beers in North America with a brand recognition second to none. As a matter of fact on my various educational excursions to the academic haunts of New England I am amazed at how many loyal followers you have down there. The moose is everywhere!

I was also impressed with Derek in what I believe was his last visit to Toronto when he described on television a bottle of Moosehead. He then poured it and sampled it. As a viewer I was absolutely enthralled at his style and I had to have a Moosehead. I continue today as a great purchaser of your brew, as do many of my friends.

Now a little bit about our speaker Derek Oland, the Chairman and CEO of Moosehead Breweries Limited. He is the fifth-generation Oland to lead the family business, which began back in 1867 with his great, great grandmother Susannah Oland who began brewing her famous brown October ale in her Dartmouth backyard.

Over the past 40 years, Derek has dedicated himself to establishing Moosehead as a leading brewery in Canada and has successfully led the company into a new era of prosperity.

Derek has also taken a leadership role in Canada's brewing industry. He is currently serving his second term as Chairman of the Brewers Association of Canada.

In his capacity as Chairman, he has been a strong advocate for the responsible use of alcoholic beverages and has helped guide the brewing industry to a position that respects and protects the rights of both non-users and moderate consumers of alcohol.

In addition to his responsibilities at Moosehead, Derek is Chairman of Emera, the parent company of Nova Scotia Power Inc, and Chairman of Connors Brothers Limited, as well as Chairman of the Trustees of the Connors Brothers Income Fund.

Connors Brothers is the world's largest producer of canned sardines. Derek is also an active member on a variety of regional and national boards including Royal and Sun Alliance Company of Canada and Unifund Assurance Company.

It is now my pleasure to introduce to you our guest speaker—Derek Oland.

Derek Oland

Ladies and gentlemen, head table guests, Empire Club members and friends. Bill, thank you for that kind introduction. I am very honoured to be an Empire-Club-featured speaker. I am indeed humbled by your invitation and will attempt to give some thoughtful commentary on some of the business affairs with which I am involved.

As Bill mentioned in his introductory remarks, I am Chairman of three very different Maritime-Canada-based organisations that are each leaders in their respective sectors. But despite the differences among beer, sardines and energy, all three companies long ago realised that economic success depended upon crossing both physical and psychological borders. This afternoon I want to discuss how these regional companies—and others—are adapting to new global markets and how our governments need to rethink their relationships with regionally based organisations.

When I was a youngster growing up in the then-tiny Saint John suburb of Rothesay, New Brunswick, life was idyllic. My brother and I rode horses and sailed on the nearby Kennebecasis River. Occasionally we drove underaged and unlicensed, and, when we were older and bolder, we would sneak into the family brewery late at night to impress our dates and whet our whistles.

Ahh, those were the days. Southern New Brunswick was our universe and free trade was something my pals and I did with hockey cards.

I began working at Moosehead in 1962 following graduation from the University of New Brunswick. I am the fifth-generation member of my family to take an active role in the brewing business. I'm delighted that my son Matthew could join us today and while he's with Colgate Palmolive here in Toronto, two of his three brothers, my sons Andrew and Patrick, representing the sixth generation of the Oland family, are now in management positions with Moosehead.

Back in my early days arcane inter-provincial trade rules prohibited Canada's brewers from selling beer in a province at local prices unless the company operated a brewery in that province. The result of this ridiculous notion was a string of small-to-medium-size breweries stretching from Vancouver to St. John's, many competing in markets of less than a million people.

We have become more efficient today. Interprovincial agreements and small brewer preferences make it possible to sell our beer in any province, with a few exceptions. One of those exceptions is Quebec.

Last year Moosehead formed a partnership with a small, regional brewer in Quebec called McAuslan Breweries. Together we're building a new brewery in Montreal that should be producing Moosehead lager beer for the Quebec market by this summer.

Knowing we were coming to Quebec, we thought it would be a good idea to put our beer into the marketplace to give consumers a preview. The only problem is Quebec has a special tax of eight dollars and fifty-six cents per case on beer imported from New Brunswick.

In considering our options we decided we would pay the tax to help build brand awareness. Over a year ago we indicated to the appropriate authorities in Quebec that we were willing to pay the punitive tax. Guess what? We still don't have our permit, even though we said we'd pay. Some things never change!

Back in the mid-1960s when Father decided to take Moosehead beer into the Nova Scotia market, the company—at great expense—was forced to build a significant brewery and warehouse operation in Dartmouth. What did that accomplish? Not much except to put another large brewery in a marketplace with fewer than one million people. It wasn't until 1992 that the Maritime provinces agreed to allow free trade for beer amongst themselves. This permitted us to close our less-productive Dartmouth plant and our competition to do likewise with its brewery in Saint John.

Fifteen years earlier, in the mid-1970s, we realised we had reached a plateau in the Maritimes and growth would soon slow down.

It was at this point that I began to think about a very memorable speech that former Diefenbaker cabinet minister George Hees delivered in Saint John in the early 1960s. I distinctly remember Mr. Hees' theme: Export or Die. That's the day I first realised that Moosehead was essentially a New Brunswick company and we had to look for other opportunities. Our brewery in Saint John was capable of doubling production, so in 1977 we took what was then a bold step: we entered the U.S. market.

The key business driver for us was competition. A regional player must be competitive with any international company or large player in their chosen business niche.

We believed our premium Moosehead product was as good or better than any premium beer import in the U.S.A. We knew that if we could push up our throughput, our plant could be more competitive. It was the need to be competitive, as much as any single benefit, that drove us to expand beyond our comfort zone. And since interprovincial laws made it difficult for us to go west, we looked south and by the end of 1977 the Moose was loose in 26 states.

Not to dwell too long on beer, but I think the lesson for Moosehead was that sooner or later small companies and small economies will max out. And that forces organisations that want to stay around to branch out.

This is as true in Saskatchewan and Alberta and British Columbia as it is in the Maritimes. With the exception of the Quebec City-to-Windsor corridor, Canada is comprised of small, somewhat geographically isolated, markets. Just look at the Maritimes, for example.

While the majority of Canadians live within 100 kilometres of the U.S. border, Saint John is the only major centre in the Maritimes where residents can make that claim. And while New Brunswick shares a border with the province of Quebec, it is a full 10 hours drive to Montreal from Saint John; 15 hours from Halifax. Together our three provinces have a population of not even two million. Geographic distances and lack of political clout combine to make the Maritimes truly economically isolated.

It wasn't always this way of course. In the mid-to-late 1800s, the Maritime provinces boasted an economy—and the wealth that went with it—that rivalled New England's. And it was with New England that Maritime Canada shared the majority of its trade. These strong ties slowly faded after Confederation when the new Canadian politics forced trading patterns to shift to an east-west pattern.

But east-west never really worked for the far reaches of the country. So as a result of our geographic isolation, what we're seeing today throughout much of Canada is what Michael MacDonald, the former President of the Greater Halifax Economic Partnership, calls the realignment of economic relationships.

And the trendsetters in these realignments are the big fish looking to find a way out of their little ponds.

For those in this room not familiar with New Brunswick, I'll wager you did not know that Canada's single-largest petroleum refinery is located in Saint John.

The Irving Oil Refinery recently completed a billion-dollar-plus upgrade and expansion designed to feed half of its 250,000-barrel-per-day production to energy-hungry Americans. Last year that amounted to more than $2 billion worth of petroleum exports from New Brunswick.

In much the same manner, Connors Bros., based in the tiny village of Blacks Harbour on New Brunswick's Bay of Fundy, has also been looking south of the border for growth.

Connors Bros., until recently part of the Weston empire, and now operating as a unit trust, is the only Canadian sardine producer. It has 80 per cent of the Canadian market and 60 per cent of the U.S. market. In early 2000 Connors purchased two processing plants owned by Stinson Seafoods of Bath and Prospect Harbour, Maine. This acquisition did two things: It got Connors additional market share and access to more fish in the Gulf of Maine.

These U.S. plants have been integrated into Connors Bros. operations and now contribute to our company's export programme around the world including almost every Caribbean country, Central America, Western and Eastern Europe and, of course, the United States. Each year Connors Bros. sends over two million cases of sardines in 21 flavours to its 39 destination countries.

Nova Scotia's Emera, of which I am chairman, is the holding company of Nova Scotia Power, the once-stodgy Crown corporation that was privatised in 1992. Emera has transformed itself into a billion-dollar diversified energy company that, in addition to supplying power to Nova Scotians, has a significant share of the fuel oil business in Nova Scotia and New Brunswick, owns 8.4 per cent of Sable Offshore Energy, and 12.5 per cent of the Maritimes and Northeast natural gas pipeline that stretches 1,000 kilometres from the coast of Nova Scotia to the outskirts of Boston.

Last October Emera became the first Canadian company to purchase an American utility when it acquired Bangor Hydro of Bangor, Maine. This gave us 110,000 new customers and, more importantly, a solid base to continue our growth and development in the United States. The State of Maine alone imported energy valued at $870 million from Canada in the year 2000.

Speaking of the Maritimes and Northeast pipeline, it should not be lost on economic observers that Sable gas is not going to Canadian consumers in Montreal and points west, but to Americans in Bangor, Portland and Boston. This would have been inconceivable had Sable gas been developed 20 years ago.

Officials of the Atlantic Institute for Market Studies, a Halifax-based economic think tank, have begun referring to the pipeline as the Pipe LINK, an obvious nod to the U.S. northeast's growing dependence on east-coast energy and, in turn, our region's economic dependence on the northeast.

Reaching beyond the Maritimes has also been Moosehead's goal and, I believe, our future.

You can now enjoy a cold Moosehead lager in New York, Los Angeles and Honolulu, not to mention right here in Toronto, as well as in 15 other countries around the world.

Now, lest you think that this realignment of trade has been easy, let me assure you it has not. Three main obstacles hinder further efforts to develop economic links between the Maritimes and the north-eastern U.S.

Chief among these for manufacturers and processors like Moosehead is poor highway infrastructure, particularly in south-western New Brunswick and eastern Maine. Over 300,000 transport trucks enter Maine from Canada each year—up 50 per cent in the past five years.

At the primary border crossing in St. Stephen these trucks snake slowly through the centre of town, cross into Maine over a small, two-lane bridge, carefully wend their way through the narrow streets of Calais, Maine, and are then faced with a tortuous two-hour drive over a narrow highway before reaching Interstate 95 in Bangor. Even though the State of Maine is spending $10 million a year to upgrade this particular highway, it's still a two-lane test of nerves.

But even when you reach I-95 the problem is that it runs north/south straight to Boston then right down to Florida. In fact, in the so-called Eastern Border Corridor Region, there are a total of six north/south interstate highways. This is the largest region east of Chicago not served by an east/west Interstate highway.

What is truly needed is a new east-west superhighway running across the top of New England linking the Maritimes and the northeast U.S. to northern New York State, Montreal and Ontario and beyond.

There has been much talk of this highway in recent years, particularly in the Maritimes and by a few U.S. politicians, but no action. And meanwhile, in southern New Brunswick, a new major superhighway that will complete the four-lane transportation link from Halifax to the U.S. border sits half finished, virtually untouched since the Liberal government left office in New Brunswick three years ago.

Since access to market is an important piece of any business strategy, Atlantic companies and government need to think and plan in ways that are "outside the box." Perhaps Atlantic industry and Canadian governments should stimulate economic activity by investing directly in the proposed east-west superhighway across New England; in fact, why not make it a toll highway? If we remain concerned only about Atlantic infrastructure and investment, our grasp will never exceed our reach.

Obstacle number two is protectionism. Even though annual two-way trade between Canada and the United States has passed the $500-billion mark, there is a growing sentiment in Washington to put up barriers—both physical and legislated—to slow and even curtail the movement of goods between our two countries and other nations.

One would think that two nations whose economies are so interlinked would understand the necessity of co-operation and come to terms with the need to implement obvious benefits and resolve minor irritants.

Writing in the Wall Street Journal last month, G. Bruce Knecht, the Hong-Kong-based journalist, author and scholar, described New Zealand as one of the world's most isolated economies, struggling to recover from decades of protectionist measures aimed against it.

In many respects New Zealand and Maritime Canada share many of the same problems. Both are geographically isolated, both have small population bases with insignificant domestic markets, and both suffer from what I call the "out of sight, out of mind" syndrome.

In his column, Knecht claimed that New Zealand is the victim of hypocritical international trade policies on the part of the world's biggest countries. As he points out, the loudest proponents of free trade, including the U.S. and the European Union, refuse to open their markets to New Zealand's best products. The result is that New Zealand, which had the world's third-largest economy based on per-capita gross domestic product in the 1950s, now ranks 23rd. Perhaps this needs to be factored into New Zealand's corporate strategy, and new markets investigated.

The lesson for Canadian industries located in the nether regions is to ensure our federal and provincial governments handle trade negotiations with the United States and other countries in the most responsible manner possible.

Should our borders be thrown wide open? Of course not. But Canada's manufacturers—and farmers for that matter—need government to be absolutely the best negotiators in the hemisphere. Our country and economy are dwarfed by the world's most dominant power and domestic industry needs much assistance to help achieve the best deal possible with the Americans and others.

The third obstacle to successful trade between New England and the Maritimes is merely a problem of attitudes.

Unfortunately, on both sides of the border there is little or no understanding about the nature of the Maritimes and its substantial markets. There is also a similar problem with other geographically isolated regions in Canada.

Take Allan Gates, a bright, young New Brunswicker who lives and works in Boston as a management consultant and writer. After rubbing shoulders every day with his Bean Town co-workers and neighbours for the past two years, Gates points out that in the majority of American opinion, nothing exists northeast of Portland, Maine which is considered almost an outer suburb of Boston. Allan, like so many others in his position, has come to realise that when you're a citizen of the most powerful nation on earth, there isn't a need to know much about the world beyond your own window.

And yet, in Canada, what's our excuse? Maybe it's a simple case of the country being too large for people to comprehend its vast geography. But to most Canadians, going east means Toronto, or Montreal if there's a tail wind.

And most Atlantic Canadians will argue that same "we-know-you're-out-there-somewhere, but-you-don't-really-matter-to-us" attitude permeates Ottawa.

Obviously the Americans are not going to solve Canadian export problems; they barely know where Canada is. The Canadian government has a role to play, but, more importantly, so do individuals and companies who must get off their backsides on this issue. The U.S.A. is a big market, and we know a lot more about Americans than they know about us. Certainly the currency-exchange ratio can make up for a lot of mistakes.

In the U.S.A. businesses don't expect government to solve their problems, with a few exceptions, like softwood lumber. I don't think that Canadian businesses should look to our federal government either. Atlantic issues should be solved or resolved by regional governments. But, what is the incentive for Ottawa to take notice of our region's issues? Indeed, that's where the consequences enter the picture.

As we are aware, there are currently only two "have" provinces in Canada—Ontario and Alberta. We all know that British Columbia should also be on that list, but successive incompetent governments have all but stunted what should be one of the country's strongest economies.

So that leaves two provinces carrying the load for Canada's economy. To those of us who live in one of the have-not provinces that have experienced virtually no growth since the last census, the phrase "transfer payment" is synonymous with handout. But trust me, Maritimers, Quebecers and all Canadians residing outside Alberta and Ontario do not want a handout; we want a hand up.

How should we accomplish this when, as the latest census data tells us, people are leaving Saint John, Regina, Charlottetown, and Portage la Prairie in droves? Even once-booming working-class cities in northern Ontario and Alberta are losing people to bigger urban markets where there are more jobs and better opportunities. Add to that immigration outperforming natural population growth, and the rest of the country looks like a pity party handing out invites.

With stronger economies, and governments that have put growth on their agendas, Alberta and Ontario are offering Canadian men and women a better future. Which is why 51 per cent of Canada's total population now live in four urban centres: Toronto and the Golden Horseshoe, Montreal, Lower Mainland British Columbia, and the Calgary-Edmonton corridor.

Meanwhile, the depleted provinces continue to depend on equalisation handouts from increasingly more resentful taxpayers in flourishing parts of the country.

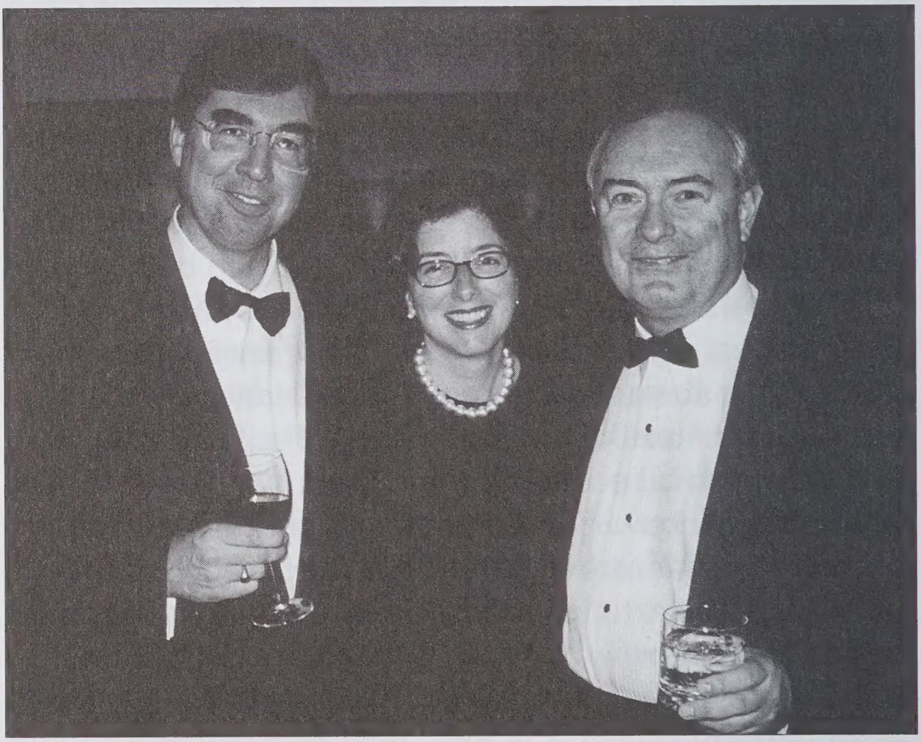
And, by the way, there is a message here for industry as well. If you're not finding ways to take advantage of Canada's trillion-dollar, trade-based economy, your laid-off employees will also join the migration to Toronto and Calgary and Vancouver and Montreal whose municipal governments represent more people than most of the provinces do. If this trend continues, many large companies won't have to worry about a shrinking consumer base because there just won't be a labour force to support those companies anyway.

Which is why the regional realignments taking root in Canada must be encouraged and must succeed. Instead of obsessing about congestion at the Windsor/Detroit border, Ottawa should be concerning itself with helping Canada's regional economies find their own way into rich American markets. Funding for economic partnerships, infrastructure improvements, and trade deals that will make Canada's arteries as strong as its heart need to be implemented now.

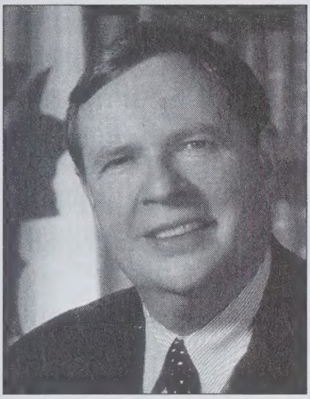
Meanwhile, back in my birthplace of Rothesay, things are still pretty sleepy. The local politicians recently made national headlines when, in their wisdom, they banned road hockey. And there's a lot more money in Rothesay these days. New subdivisions have sprung up fed by good incomes from the oil refinery and the newsprint mill and, yes, even from Moosehead Breweries.

But what's missing in Rothesay, and all of the bedroom communities like it throughout the Maritimes, are the entrepreneurs, the visionaries, who are willing to take a chance on the region's future. But, I'd wager they would if they had unrestricted access—both physically and politically—to one of the world's biggest consumer markets. Then every fish in Canada, be they small or large, might find a new pond in which to flourish.

The appreciation of the meeting was expressed by Major The Hon. Joseph H. Potts, OStJ, CD, Retired Judge, Superior Court of Justice Ontario and Past President, The Empire Club of Canada.



John C. Koopman, Partner, Heidrick & Struggles and 2nd Vice-President, The Empire Club of Canada, Catherine Steele, Vice-President, Public Affairs and Corporate Communications, Hoffmann-La Roche Limited and Past President, The Empire Club of Canada and David A. Edmison, President, Martin Lucas & Seagram Independent Investment Counsel and Past President, The Empire Club of Canada.



April 11, 2002

His Excellency Mr. Raymond Chrétien

Canadian Ambassador to France

CANADA, FRANCE, AND EUROPE: IS THE ATLANTIC OCEAN SHRINKING?

Chairman: **Bill Laidlaw**
President, The Empire Club of Canada

Head Table Guests

Catherine S. Swift, President, CEO and Chair of the Board, Canadian Federation of Independent Business and Director, The Empire Club of Canada; Carolyn Elizabeth Laidlaw, Honour Roll OAC Student, St. John's College, Brantford, Ontario; The Reverend Kim Beard, BA, BEd, MDiv, Rector, Christ Church, Brampton; Derek H. Burney, OC, President and CEO, C.A.E. Inc. and Former Canadian Ambassador to the United States; The Hon. Roy McLaren, Former High Commissioner for Canada to Great Britain and Northern Ireland; The Hon. James K. Bartleman, OOnt, Lieutenant Governor of Ontario; Hugues Goisbault, Consul General of France; Jocelyne Côté-O'Hara, Principal, C_2O & Company Director and 3rd Vice-President, The Empire Club of Canada; Francoise Bertrand, Partner, Secor; John Geddes, Ottawa Bureau Chief, Maclean's Magazine; and John A. Campion, Partner, Fasken Martineau Dumoulin LLP and Past President, The Empire Club of Canada.

Introduction by Bill Laidlaw

Europe today is a much different place from what it was at the turn of the century, and completely different from what it was at the turn of the century before. As a student of history I have read and studied many volumes of work on this great continent.

Having travelled as well throughout this great region and seen and visited many of the treasures that these countries have brought to our civilisation, I am truly in awe.

For many of us in Canada Europe is where our ancestors came from and where we formulated our culture and our traditions. For me it is Ireland, Scotland, England and Germany—countries which I have visited and admire.

Having recently read a book on Napoleon and Wellington, I think about Napoleon's effort to make Europe one large entity. Odd that his dream would come true.

When I visit the various museums and art galleries, which I love to do in Europe, I notice how this region has fought within itself for centuries. One battle after the other. We hoped the last two great wars in Europe where North Americans were so involved were the last major horrendous events for this continent. Sadly, with the recent events in Yugoslavia, wars continue to be with us.

It does seem though that with the recent creation of the European Common Market and the euro that peace and economic harmony has finally come to this land. There still may be French, Germans and Spaniards but the term European will also be used.

Canada's relationship with Europe, and particularly France, is a fascinating one. From the days of Champlain to the present our ties are strong and continue to be so. We have a rich cultural and economic connection between our two nations. With the advent of a united Europe, France will play a critical role, and with our speaker in the important role as Canada's Ambassador to France we have a superb connector for this new union with Europe and Canada.

For a unique perspective on all that is happening on this world stage we are fortunate to have as our guest—Raymond Chrétien, Canadian Ambassador to France. He was in fact the first speaker at the beginning of my term as president that called me to accept my invitation to speak to the Empire Club. He is very well known and liked in Canada, but a short background on his personal history will no doubt be useful.

Raymond Chrétien currently serves as Canada's Ambassador to France. Prior to this post he served as Ambassador to the United States from 1994 to 2000.

Raymond has spent nearly three decades in the diplomatic service. In 1978 he was named Canada's Ambassador to Zaire and in

1985 he was appointed our Ambassador to Mexico. During his service there he was awarded the Order of the Aztec Eagle, the highest award the Mexican government has presented to a Canadian.

Upon completion of his assignment in Mexico, Raymond was named to the position of Associate Under-Secretary for External Affairs, the second-highest in the department.

From 1991 to 1994 he served as Canada's Ambassador to Belgium and Luxembourg before being named as our Ambassador to the U.S. in 1994. In 1996 he was appointed as United Nations Special Envoy to the Great Lakes region of Central Africa to undertake an assessment of the crisis in the Great Lakes region and to make recommendations on how the UN should respond. He presented his report and recommendations to the Security Council in December 1996.

Born in Shawinigan, Quebec, Raymond received his Bachelor of Arts degree from the Seminiare de Joliette and completed his law degree at Laval University. He was called to the bar in 1966 and joined the Legal Affairs Bureau in the Department of External Affairs.

In 1998 he received a certificate of honorary membership in the bar of the United States Court of Appeal for the Armed Forces, and in 1999 was awarded a degree of Doctor of Letters from Brock University in recognition of his contributions to Canadian public life and Canada's role in the international community.

I am very pleased to present to you today as our guest—Raymond Chrétien.

Raymond Chrétien

It is a great privilege and pleasure to be among you once again.

I last stood at this podium three years ago. Washington was my home then—the hub of my life, thoughts and work. Every day I experienced the massive gravitational pull and appeal of the United States; every piece of news, every business decision seemed to revolve around them in some way.

When Bill Laidlaw asked me to return, I pondered a little: what would make a fitting title for my presentation? April in Toronto? A Canadian in Paris? Both had a nice ring but I opted instead for Shrinking the Atlantic.

The title of my presentation starts with three words: Canada, France and Europe. My aim indeed is to highlight the links that bind all three together and to explore where, together, we might go. To accomplish this aim, I will first speak briefly on the origins, nature and consequences of our historical links with Europe. Second, I will touch upon the present, notably the importance of economics and trade. Finally, and as promised, I will say why I believe that in some very important respects the Atlantic Ocean is shrinking and why Toronto and Canada should take advantage of this.

To turn to my first point: what is the nature of our relationship to Europe? My answer draws in part from my own experience as a Canadian arriving from Washington to live in and re-discover France and Europe.

On the one hand, I feel a strong North-American identity. Like any other Canadian, my heart lies somewhere between St. John's and Victoria. I am at home with the ways of the New World: with freedom and space, straight talk, efficiency and change. As business people and professionals, you are all sensitive to the vital importance of Canada's relationship with the United States. The FTA, NAFTA and the forthcoming FTAA have become the acronyms of Canada's modern destiny. The implications of this relationship extend far beyond trade and economics to the fight against terrorism and to the goals of securing world peace and sustainable development. These links carry us south, past the Rio Grande into Mexico and the whole of Latin America, where we are seen as a natural ally: "la otra America del Norte."

But at the same time, I feel the strong bonds of blood, history, language and culture that connect Canada with France, Britain and many other countries of the European continent.

Where does this particular connection with Europe come from? What does it mean for Canadians today? Does it still create opportunities?

Canada's decisive connection with Europe originates with the peaceful encounter in 1604—almost 400 years ago—between the Mi'kmaq Nation and a company of Frenchmen led by two dauntless explorers, Pierre Dugua des Monts and Samuel de Champlain.

Canada's story as a modern country begins at that moment. Champlain—navigator, map-maker, writer, diplomat and statesman—was above all convinced that Canada could be home to goodness and greatness. He who left the first European footstep imprinted on the shores of the Great Lakes would feel right at home in Toronto today. For I cannot think of any world-class metropolis which better embodies the spirit of encounter, openness and discovery.

In 2004, on the 400th anniversary of the first permanent European settlement in Canada, we will have much to recall, and to celebrate. I hope that Ontario and Toronto will be closely involved in the events Canada and France are organising together to mark this anniversary.

Four hundred years of community have generated many bonds between Europe and Canada: language and culture; order and respect for the law, freedom and democracy; science and innovation; the sanctity of contract; and fair and responsible government. In France, where presidential and legislative elections are soon to take place, the big issues are security, economic growth, health and well-being, and the environment. I am struck by the way in which Canada and France today confront similar challenges and how familiar the subjects of debate throughout Europe would seem to many Canadians. We share concerns, hopes, our very dreams. It may be Burgundy; it could be Alberta. It may be Brittany; it could be Nova Scotia.

But there is far more to the Canada-France or the Canada-Europe connection than sharing roots and feeling alike, which brings me to my second point—the nature of our links today with Europe and the ties that bind two modern economic leaders.

There is a common purpose. Canada's name was forged in the crucible of Vimy Ridge, and on the beaches of Normandy. Today, France and Canada are joined in the fight against international terrorism. Canadian and French troops stand guard, side by side, in Bosnia and Kosovo, and in Afghanistan. We are pursuing an entire Justice and Home Affairs agenda with Europe and working towards engagement with a common European Security and Defence Policy. Underpinning it all are common values.

And there is business, with superb opportunities. French business is on the move. European integration and globalisation have sharpened the skills of French entrepreneurs and their best are making their mark on a world scale. Next time you see an American film from Universal Studios, remember it was brought to you by a Frenchman, Jean-Marie Messier, le patron, the boss of Vivendi Universal. Next time you fly Air Canada, remember that you are in one of the 105 Airbuses built in Toulouse by Airbus Industrie, whose chairman is Noel Forgeard. Next time you buy a car, check whether the tires aren't Michelin, made by Edouard Michelin, the heir of the family business. Next time you need a vaccine, remember that Connaught Labs really means Aventis. The list goes on. I would run out of time before I ran out of examples.

In the year 2000, French investment in Canada made a giant leap forward. In a single $7-billion transaction, Alcatel purchased Newbridge Networks of Kanata. Then Vivendi acquired Seagram's/Universal for $30 billion. Today the French rank as the second-largest investor in Canada, ahead of Great Britain, Japan, and Germany. They are present of course in Quebec, taking advantage of the great opportunities for business there. But they have also invested in the Alberta tar sands, in the uranium mines of Saskatchewan, in cement factories in British Columbia and right here in Ontario.

Business is a two-way street. France and Europe offer significant opportunities for Canadians. Last January, Bombardier beat Alstom at its own game, securing a $1.8-billion euro deal (that's C$2.4 billion) to supply regional trains for the French railways. A recent traveller on the Eurostar TGV from London to Paris told me that every second car on his train bore Bombardier's wheel-and-sprocket logo.

But I am convinced that we still fall far short of our potential. And this brings me to my third—and most important—point: how can we shrink the Atlantic and strengthen these common bonds?

For years now, Canada has sought to enhance its trade and investment relationship with Europe. One option under review is a Canada-EU Free Trade Agreement. Perhaps it can meet Canada's interests and deliver us the results we seek.

Canada and France are also partners in many cultural ventures. Last year, Telefilm Canada was responsible for $250 million worth of joint productions with French film-makers and broadcasters. And may I also mention "TVS Monde," the French-language global TV network.

In the minds of many, the French are Latin. It's all about "joie de vivre," not business. Well, think again. Europe may be the Old World but its mind is fresh and inquisitive. French science, technology and culture can match North American inventiveness and dynamism with a particular flair, elegance, and charm.

I never fail to invite visitors to France to look beyond Paris; to the countryside of course, but also towards regional hubs such as Lyon, Lille, or Marseille.

Invariably, these visitors come away with a new appreciation of France's wealth, lifestyle and ingenuity. They see for themselves that France is the fifth-largest economic and technological power in the world, that in every category of luxury goods, France is either number one or two in the world and that it is the second agricultural exporter in the world, right after the United States. It did not get there out of sheer luck!

North America and Europe, Canada and France: both have great strengths. As a unit, Europe represents 40 per cent of world trade. The replacement of 12 national currencies with euro bills and coins on January 1 heralds a new era.

Admittedly, the Atlantic has—in some respects—widened. Four years ago, Prime Minister Jospin encouraged his countrymen to make the quantum leap into the information age. There have been remarkable successes, such as the widespread use of cellular telephones, which now outnumber fixed phones in France. But whereas most if not all classrooms in Canada are plugged into the Web, it is not yet the case in France.

In other instances, the gap has grown from our side of the Atlantic. You cannot really talk about Europe's future directions without talking about the United States and how its global role will evolve. America was deeply wounded by the September 11 terrorist attacks on the World Trade Center and the Pentagon. The United States' desire for tighter security is justified and, for that very reason, is widely shared. Yet, it is crucial that our collective effort to stem international terrorism not create new divisions or mistrust among the great cultures of the world, further distancing a poor South from a rich North.

We Canadians have a role to play here. We can help to foster the U.S.A.-Europe relationship. We can also help—and this is a major objective of the Kananaskis Summit—to renew the links with Africa, the poorest region of the South.

Fortunately, the Atlantic Ocean has fast been shrinking in many other areas. Last year Canada and France signed a Working Holiday Agreement enabling 18 to 30 year olds to spend a full year in France or Canada and to take advantage of job opportunities that come up during their stay. The French visit, study, and work abroad considerably more than Canadians do probably by a ratio of 3 to 1. Every province plays host to an increasing number of dynamic young French women and men. Toronto is home to many of them and British Columbia and Alberta are not far behind.

Yes, Canada is attractive. Young French men and women are drawn by the opportunities offered by our modern North American society. They are intrigued by the closeness that Canada has established with the United States while keeping its distinctiveness and maintaining its rich cultural diversity.

The United States, Canada and Europe are now fully engaged in the virtual world and the knowledge economy. This not only creates links, but it makes them mandatory. If your business entails communications, if your product can be digitised, if you are increasingly dependent on e-commerce, then you have already committed to going global. Seize this moment to look beyond this continent and to head for Europe and France.

Our definition of Europe has to change as well. The European Union stands at the threshold of a huge enlargement to the East, as does NATO. Who could have predicted that, barely more than a decade after the demise of the old world order, Europe would form a union from the Atlantic to the borders of Belarus and Ukraine? We often forget the enormity of these changes; take them for granted perhaps. A new Europe is being forged, even if by fits and starts, before our eyes. The implications are vast for European and international stability and economic growth. All the more reason for Canada to ensure that relations with Europe remain close.

Most of you are professionals and business people. You know how to distinguish opportunity from chance and to sift advice from information. Let me give you, as my parting shot, three reasons to increase your European exposure and three reasons to expect the French and other Europeans to welcome you.

Why should Canada draw closer to Europe?

First, Europe is a huge market, larger than the United States. It makes a great deal of sense for Canadian corporations to tap into Europe's opportunities, while at the same time diversifying their portfolio of products, services, suppliers and clients.

Second, we live in a global and open world. But democracy, freedom, and opportunity should not be taken for granted. Keeping our world united and dynamic requires contact, dialogue, business links to and fro, and most particularly between North America and Europe.

Third, extensive contacts with Europe will ensure that Canada remains a strong and dynamic mosaic. We Canadians have a unique asset in multiculturalism. But, cultural diversity thrives through sustained contact at the community, official, and business levels.

Now, why might the French and Europeans be interested in Canada?

First, Canada, as a bilingual and multicultural country, is able to draw very efficiently on a vast and varied pool of talent. It readily connects and works with partners overseas. Canada is a natural partner for worldwide operations. May I add that a key motivation for young French people to come to Canada is their desire to learn from the North American experience, and pick up English, while enjoying the advantages of our cultural diversity and dynamism.

Second, Canada has leapt very eagerly into the information society and developed numerous high-tech industries. The French know this. They admire our universities, our unique networks of excellence and our ability to manage complex systems and social conditions. By working with us, they share our strength.

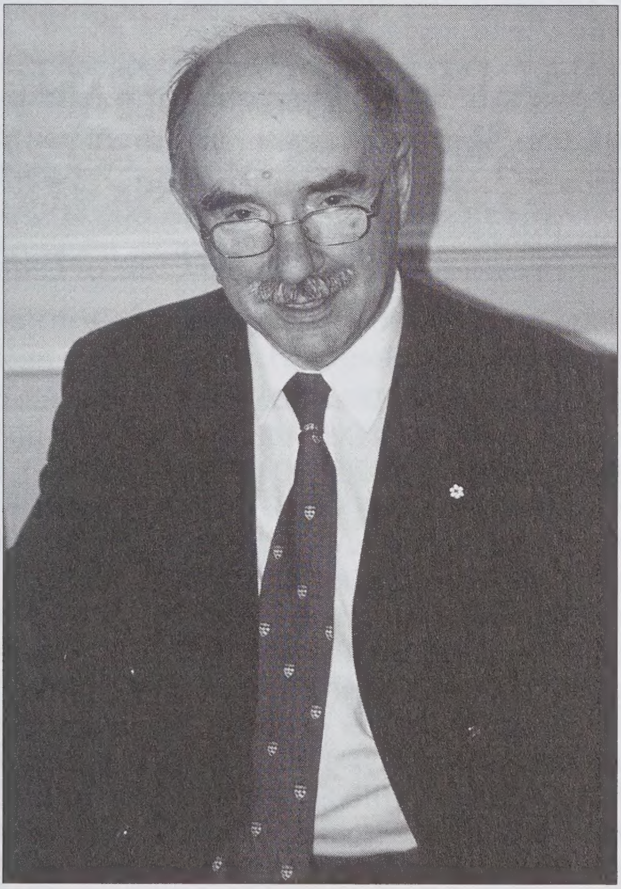
Finally, as a nation and people, we have introduced significant political and social change. We have crossed the threshold into the 21st century. As the French gradually merge with the European Union and welcome an ever greater number of immigrants, they turn towards Canada for social innovations and for successful experiments in modernity.

I have had my say. Now perhaps Bill Laidlaw will allow me to rest for another three years.

To all of you here today, I give one final piece of advice. Reserve your Air Canada tickets. I invite you to come to Paris.

Thank you.

The appreciation of the meeting was expressed by John A. Campion, Partner, Fasken Martineau Dumoulin LLP and Past President, The Empire Club of Canada.



Desmond Morton, Professor of Military, Political and Industrial Relations History, McGill University.

April 17, 2002

Desmond Morton

Professor of Canadian Military, Political and Industrial Relations History, McGill University

NATIONAL DEFENCE: A LITTLE COMMON SENSE

Chairman: **Bill Laidlaw**
President, The Empire Club of Canada

Head Table Guests

LCol A.G. (Sandy) Cameron, OStJ, CD, AdeC, Senior Aide de Camp to the Lieutenant-Governor and Director, The Empire Club of Canada; Oskar Moller, Student, Parkdale Collegiate Institute; Major The Reverend Canon Ken Maxted, OMM, CD, Vice-Chairman, Canadian Forces Grievances Board; Col. R.W. Des Lauriers, OMM, CD, Commander, 32 Canadian Brigade Group; BGen Peter A.G. Cameron, Chairman, Reserves 2000, Former Honorary Colonel and Former Commanding Officer, 48th Highlanders of Canada; The Hon. Alistair W. Gillespie, PC, OC, Former Minister of Industry, Trade and Commerce and Former Minister of Energy, Mines and Resources for the Government of Canada; The Hon. Barnett J. Danson, PC, OC, LLD, OM(FR), Former Minister of National Defence for the Government of Canada and Honorary Director, The Empire Club of Canada; Bart J. Mindszenthy, APR, FCPRS, Partner, Mindszenthy & Roberts Communications Counsel and Director, The Empire Club of Canada; LCol. Gary Stafford, CD, Commanding Officer, Royal Regiment of Canada; Col. Brian MacDonald, CD, President, Strategic Insight Planning and Former Executive Director, Canadian Institute of Strategic Studies; MGen Bruce J. Legge, CM, CMM, KStJ, ED, CD, QC, Former Chief of Reserve Forces and Past President, The Empire Club of Canada; and MGen Reginald Lewis, CM, CMM, CD, Former Chief of Reserve Forces, Special Advisor to the Minister of Defence and Past President, The Empire Club of Canada.

Introduction by Bill Laidlaw

When I was a young boy growing up in Toronto in the 50s we were obsessed with the military. The Second World War had been over for a decade, the Korean War for several years, but as a kid all we did was play war.

I watched war movies, I played with soldiers, I read war comics and we regularly went to military parades wherever we lived—Toronto, Montreal or Ottawa. The concept of war and Canada's military were paramount in our lives.

Of course at that time Canada's military was one of the major players on the international stage. Alas after the 50s and 60s our military declined.

I am of course playing war a lot less, watching fewer war movies, going to fewer military parades and playing with my soldiers much less.

I have watched our military in Canada shrink over the years with one budget cut after the other. Progressive Conservative and Liberal governments have been more and more cost-conscious and our military expenditures always seem to be the first to go.

Granted we are living beside the greatest military power in the history of the world and the U.S. has a vested interest in protecting us, but we do have a role to play in our own defence as a sovereign nation and in the many peacekeeping roles and combat actions in which our Canadian military forces are required to participate.

No one to my knowledge is better equipped to provide us with an overview and a commentary on our military than my old friend, Professor Desmond Morton.

Let me tell you how I first met Desmond. I was working for Glaxo Canada 13 years ago and had an opportunity to fill a couple of tables for a spontaneous luncheon address by Prime Minister Brian Mulroney on the issue of Meech Lake.

After that Des and I got to know each other well and he solicited my help on a number of capital campaigns for Erindale College and I participated to the best of my ability not so much because of the project but because I was so fond of Desmond.

I would sit there for hours listening to his stories and his interpretation of events. It was just like being back in school. I loved him as did all of his colleagues on the campaign and at the school.

Sadly his term expired and we lost him to McGill University and I only see him on the evening news or commenting on various battles in the last two wars.

Well today we have him back and we are indeed graced by his presence.

A little bit about Des that I have not mentioned. He is the former Principal of Erindale College now the University of Toronto and he is the Founding Director of the McGill Institute for the Study of Canada. He held a position at McGill working for the Bronfmans on the history of Canada and is currently the Professor of History for the university.

Professor Morton is a graduate of the College Militarie Royal de St Jean, the Royal Military College of Canada, Oxford University and the London School of Economics.

Professor Morton is a retired captain. He served 10 years in the Canadian army from 1954 to 1964. He spent four years as a political organiser before becoming a professor of history at the University of Ottawa in 1968. He then went on to become a professor at the University of Toronto where he taught for 30 years.

Professor Morton is the author of 37 books and has written numerous scholarly articles on Canadian political military and industrial relations history. In addition he is a frequent columnist and radio commentator.

He was appointed a Fellow of the Royal Society of Canada in 1985, and was named an Officer of the Order of Canada in 1996. Professor Morton is also an Honorary Colonel of Eight Wing of the Canadian Air Force at Trenton.

Please welcome as our guest today—Professor Desmond Morton.

Desmond Morton

One by-product of the September 11 events was an apparent rediscovery of the fragile state of Canada's national defences. Canadians were shocked and appalled that we had such pathetic military resources to apply to President Bush's war.

Why the shock? The facts of post-Cold War military shrinkage and obsolescence have been published widely for years. Pre 9-11, the last major poll of national issues revealed 70-per-cent awareness that Canada's defences were feeble—and a comparable reluctance to cure the problem with taxpayers' money. Defence lobbyists such as the Conference of Defence Associations—largely composed of reserve and retired officers—were dismissed as special-interest grumblers or as corporatist interests unweaned from the public udder. How do bombs or helicopters rank next to medicare or tax cuts? And, since the 1990s, tell me of any public infrastructure, from roads and sewers to medical-imaging equipment, not neglected to the point of collapse.

Our politicians have been aroused to military problems they could grasp. When an Alliance member claimed that Canadian Forces members in Esquimalt padded their meagre incomes by delivering pizzas or visited food banks to feed their families, the image was powerful enough to melt a six-year pay freeze. Finance Minister Paul Martin even found part of the money for the raise from his budgetary surplus. The rest was extracted, of course, from another round of defence budget cuts, carried-over deficits and deferred capital spending. That would teach the generals to allow bad publicity for the government. Most of them understand rotten wages, but what do we know of military electronics or anti-submarine helicopters? Elected leaders are never far from Lord Salisbury's famous advice: No lesson seems to be so deeply inculcated by the experience of life as that you should never trust experts. If you believe the doctors, nothing is wholesome; if you believe the theologians, nothing is innocent; if you believe the soldiers, nothing is safe. They all require to have their strong wine diluted by a very large admixture of insipid common sense.

Higher pay slowed the Auditor General's latest defence crisis: the alarming exodus of trained, skilled and adaptable members of the Canadian Forces. Civil prosperity creates opportunities for proud, competent Canadians exasperated by low pay, heavy demands and worn-out equipment. Yet pay raises meant added delays in replacing obsolete or rusted-out ships, guns, vehicles and aircraft. They also stalled further ventures into the high-cost, high-tech world the Americans call RMA or Revolution in Military Affairs.

Modern warfare, insists the Pentagon, is no longer the blundering business Canadians watch on TV during their annual ration of war movies on History TV. RMA sums up how the Pentagon expects to apply the wizardry of micro chips and other informatic technology to future wars. Using satellite-borne sensors, scanners and computers, and GPS (global positioning systems), commanders will know where enemies are hiding and where they are moving. Instead of depending on intuition to figure out what is happening on the other side of the hill, RMA reveals all.

RMA promises to penetrate the age-old fog of war, replacing ignorance by information overload. "Promises" I add, because, like all promoters, RMA techies exaggerate the current value of their product, and techno-peasants are not stupid. Slobodan Milosevic's troops laid out dummy tanks and wooden guns able to broadcast electronic signatures as good as the real thing. In Afghanistan, the Taliban and A1 Kaeda melted away like any guerrilla army, RMA or not.

Still, Canadians know which side of the game we want to play. In 1940 my father prepared for leading a squadron of Canada's last wartime cavalry regiment. His brother-in-law organised corvette construction discreetly ignoring the need for radar, HF-DF or even a proper gyro compass.

Canadians don't expect our armed forces to carry spears, ride horses, or navigate with astrolabes if war can be waged with lasers and over-the-horizon radars. During the Kosovo War of 1999, Canada's CF-18 fighters had been upgraded and our pilots had trained in joint exercises to be barely "interoperable" with the U.S. Air Force; other NATO air forces did not qualify. In Kosovo, Canada's Coyote reconnaissance vehicles gave NATO ground troop an information source our allies envied. As professionals, our pilots and soldiers expect to operate top-of-the-league equipment.

Like any big-time innovation, RMA demands big money and sophisticated training. It requires effective backup hardware—guns, tanks, warships and ordnance—and elaborate, expensive peacetime training. Otherwise, our forces are like most of us—well fed, well housed, well paid and unready for the brutal demands of the job. But, you say, what job? Who's the threat? And seductive escapes from the dilemma have been on offer since the Cold War ended.

Back in the early 1990s, the Canadian Forces got a lot of advice. A Toronto-based Council of 21 included Bob Stanfield but it was dominated by leading Liberals. Inspired by a UofT colleague, Professor Janice Stein, the Council proposed a low-cost military, totally dedicated to peacekeeping. The navy and air force could be mothballed while a short-service army, recruited from unemployed youth, would be deployed exclusively for peaceful peacekeeping. It would come home if shooting started. Unfortunately, most peacekeeping since 1990 has been rather "robust," a euphemism for "dangerous." The Council's advice was largely ignored.

Contrasting advice came from Vice-Admiral Charles Thomas, then Vice-Chief of Defence Staff. Warning that Canadians would not pay for an all-singing, all-dancing defence force, Chuck Thomas urged the CF to do only what it did well: maintain its relatively young and battle-ready frigates and fighters and forget its rusted land forces. Thomas was duly scolded and put out to pasture. And, from Oka to Kandahar, soldiers were largely what Canada needed since 1992.

Elected in 1993, Chrétien Liberals ignored the "soft power" option of the Council of 21. Brought back from our embassy in Washington to preside during the Somalia shemozzle, General John de Chastelain guided it to a policy mantra promising Canadian Forces able to fight "alongside the best against the best." Of course, Chrétien also promised to balance the federal budget. As a signal, the Liberals paid half a billion dollars to cancel a contract to buy EH 101s to replace decrepit Sea King helicopters. Subsequently, they closed military schools and colleges, slashed training, and cut regular armed forces strength from 83,000 to 60,000 men and women.

Alternate service delivery, civilianised and privatised military supply, transport and repair arrangements—good if you never plan to fight—and colonels and generals forced to devise "business plans." My local general boasted that, by training soldiers close to the base, he saved on box lunches. Apart from a few new Canadian-made vehicles and helicopters, and four slightly-used British submarines, equipment renewal went on hold.

None of this was secret. Until last September, no one seemed to care about defence except the men and women involved and a devoted cell inside the Auditor General's staff. Some of the problem lies with defence interests themselves. Defence lobbyists defend all the old interests. Coherent planning, the pledged goal of Paul Hellyer's Unification and Donald MacDonald's Civilianisation in the 1970s is as contested as ever by the old tribes.

Today, the only change is that the Deputy Minister rules the roost, and the Chief of the Defence Staff is insignificant, a dutiful government yes-man for fear of something worse. Since 9-11, as you might imagine, "Security" has been Ottawa's favourite word. At the innumerable committees, conferences and study groups, CF uniforms are as conspicuously absent as they were from 9-11 spending.

The reasons are obvious. Two big oceans and a polar icecap have kept us safe for centuries. Most Canadians believe what they are often told: peace-keeping, not war fighting, is our priority. So is shrinking our federal deficit and our national debt, cutting taxes, and protecting our system of universal health insurance. Don't blame Jean Chrétien. He won three successive federal elections by keeping in step with most Canadians. Were Reform, the Canadian Alliance or the Bloc Quebecois beating the defence drum?

Almost a year ago, Joel Sokolsky, a colleague at the Royal Military College of Canada, and I were in Washington at a briefing session for our new American ambassador. "Canada's military problem," explained Sokolsky, "is that Canada has no military problem." We didn't really feel endangered. Americans did, and with reason. Pearl Harbour had changed their lives. Osama bin Laden had made war on U.S. embassies and warships. Super powers have enemies.

Canada was different? A polar ice cap and two wide oceans have kept us safe. We are told that terrorists threaten us. Do you really believe it? This is another vicarious war, like 1939 or 1914. Our loyalty is instinctive, just like our Imperial loyalty of 1914 and 1939. Or is it also based on fear of losing 25 per cent of our GDP if George Bush closes the border? Is it fear for our sovereignty if we don't do what Washington wants?

And here is the Canadian military problem Sokolsky was too tactful to name. This is the basis for Canadian defence policy. It is very old. From Iroquois times to the present, the only external threat to Canada's separate existence has come from the south. American invaders crossed our border often between 1775 and 1781 and again between 1812 to 1814, not to mention the Fenian Raids from 1866 to 1871. Until the 1870s, we had French or British troops to fight off the invaders. The American Civil War finally convinced the British that the War of 1812 could not be won again. The U.S. was too powerful to resist. Wisely, they took their garrisons home.

Equally wisely, Canadian politicians accepted the situation. No rational Canadian since the 1860s has dreamed of war with our neighbour—though Toronto and this club provided an asylum for some noisy exceptions. Ignoring patriotic fire-eaters, successive governments kept the militia weak, amateurish and cheap. To give the U.S. Cavalry no excuse to invade our prairies in the name of law and order, we organised the North West Mounted Police. Ottawa consistently refused to take defence seriously. Otherwise, the Americans might well have felt alarmed and hostile.

Think of the benefits. Without serious defences, Canada could afford a transcontinental railway, immigration and low taxes. Instead of training for a hopeless war, young men could develop farms, factories and utilities. Even our European homelands were winners: in two world wars Canadians lavished 100,000 lives and all our productive and financial resources to defend Britain and liberate France. From 1952 to 1992 we kept a small army and air force in Europe.

Of course, the American relationship changed. In the summer of 1940, our Prime Minister suddenly realised that Canada was now Britain's largest ally in the war against Hitler. A horrified William Lyon Mackenzie King dialled the White House. Two days later, President Franklin Delano Roosevelt met him at Ogdensburg. On the afternoon of August 17, 1940, the United States conceded and Canada embraced a permanent defence alliance.

The enemy was now our protector. As Churchill recognised and King didn't, we had a new Imperial suzerain. Canadian sovereignty was threatened, particularly in the North, where Washington had never recognised Canada's claims. After 1945, Canada systematically bought back every American installation, from Crimson Route airfields to an impassable Alaska Highway. When Americans proposed to construct the Distant Early Warning or DEW line of radar stations across the Arctic, Washington speeded negotiations by acknowledging our Arctic sovereignty. In 1987, when Brian Mulroney's defence minister sought nuclear-powered submarines to preserve Canada's sovereignty in the High Arctic, the Pentagon choked. Covered by Canada's peace movement and "taxfighters," Washington killed the project and kept control.

"Americans are our best friends," claimed Dr. Bob Thompson, Social Credit leader in the 1960s, "whether we like it or not." This truism defines our only defence problem. Thoughtful Canadians fear angering or worrying Washington. The easiest way to provoke Americans is to make us look like a source of threat, either by arming to the teeth against them or by allowing our border to be porous to a hostile missile, bomber or terrorist. Like it or not, that's why there will be a Northern Command and we will conform to its directions or pay a price.

Canada has always depended on allies. We have too much geography and too few people for any other military system. We have learned a lot about working with allies. Thanks to the Empire and Commonwealth, the British became quite competent at managing us. When the British wanted help, whether in 1899 or 1939, many Canadians wanted their Parliament to decide.

That demand was stifled when Washington wanted a little loyal back-up in Korea in 1950, or Kuwait in 1990. As for the horrors of September 11, hesitation or even the unenthusiasm of Mexico's elites would have been dangerous for a country dependent on selling into the United States. Canada's government acted without hesitation and with a confidence that a great majority of Canadians would approve.

Our allies know our strengths and weaknesses better than most Canadians. In 1938, the British high command understood our lamentable military state and knew they could forget about Canadian help for years. In 1947, Canada's naval, land and air forces were reoriented to the Americans for their equipment, weapons and much of their professional training. From uniforms to jargon, Canadian Forces are now as interoperable with

Americans ships, units and squadrons as once they were with the British. Like most allies, Canadian service members tend to be hypercritical of their partners' training, discipline and efficiency. They also resent the handicap imposed by obsolete equipment in frequent joint exercises.

Remember "fighting the best alongside the best"? How do we do it? "Interoperability" locks Canada into buying from the world's most gold-plated defence contractors. Our miniature replica defence forces cost even more because of our tiny leverage. We have to make choices. Remember Admiral Thomas.

Allowed to rust-out under Trudeau, the Navy was a big winner in the Mulroney years. It got six big patrol frigates from the Saint John Drydocks in the 1990s, and six more when New Brunswick Premier Frank McKenna switched to support the Meech Lake Accord. The Navy also added a score of coast defence minesweepers to train and employ its reserves. Lately it added four conventional submarines to help maintain its competence in submarine hunting. Our frigates are among the newest warships in the world, and they have been practicing with American carrier groups since commissioning. Our ships were an easy contribution to President Bush's war. Since the Taliban had no anti-ship weapons, they were relatively safe.

Canada's CF-18 Hornets are the same carrier-borne aircraft the U.S. Navy used to pound Afghanistan. Canadians flew them in the Gulf War and a decade later in the Kosovo war. They fly day after day as part of our NORAD commitment. The CF-18s are good, steady platforms but, like any other vehicle built in the early 1980s and used regularly, wear and tear shows. Recently, the Americans and British agreed on a new fighter aircraft designed by Lockheed and Martin. Canadians will have to buy several dozen to upgrade and update our air force. Look forward to years of political logrolling over a near inevitable decision. We have also contributed some Airbus transport aircraft and some Lockheed Aurora long-range patrol and surveillance aircraft—a useful but unspectacular contribution. Future planes may be shared with the U.S. Air National Guard to save us the full cost. Is there a cost to pride?

Our ground forces were chief losers from the 1990s cost-cutting and expediency. The army's best brigade—4th Mechanized—dissolved when Mr. Mulroney ended our NATO commitment. Our Airborne Regiment died in 1997, in the name of political righteousness. It was the "Special Forces" unit we could have sent to Afghanistan. Instead, we dispatched a company sized "Joint Task Force," too small to be recognised, even by the Globe and Mail when it ran a picture of it on its front page.

Canada's peacetime army now boasts three under-strength brigades of a few thousand soldiers each and several woefully under-strength militia brigades. The army chiefly needs high-quality manpower, new equipment and costly training. Each regular brigade embodies distinct traditions and esprit de corps, and the formidable professionalism of formations that have worked together for years. In a crisis, their vacancies would be filled by "augmentations" from nearby militia units, at the expense of the reserves' ability to mobilise at the rate they did in 1914 or 1939. Instead, the government's priority is to quadruple the JTF for a terrorist threat.

Given a major investment, our Canadian Forces can provide whatever strength our government or our allies really need, but only with time to acquire recruits, complete training and acquire modern equipment. What would it cost? The answer is complicated by a budget system that is highly misleading and evasive, wrapped in hidden deficits, deferred commitments and inflated assertions. Do we really spend almost $12 billion on defence, or more like $9 billion? The lower figure comes close to depicting what Ottawa really commits to programme and capital costs in a year. Raise it by three million to pay for capital commitments such as the long-promised anti-submarine helicopters and to complete manpower targets.

But remember that new equipment has two prices, just like your next car. There is the showroom price and there is the amount on your cheque. The Canadian Forces could pay $37 million for a new Bombardier corporate jet for the Prime Minister. But what about a stock of spare parts, or special air crew training for a new machine? Can aircrew maintain their simultaneous qualifications on a similar but distinctive aircraft? Who pays? If that seems complicated, the devil is always in the details. So is the money. Don't forget that we "Buy American" with 62-cent dollars.

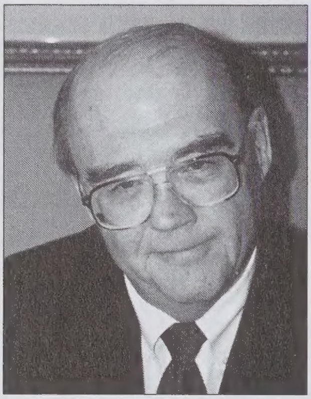
Canada has enjoyed a high level of competence, valour and dedication from its armed services. Despite all the decades of experiments in unification, integration, civilianisation, situational ethics and gender bending, the current military generation is probably as good as ever and perhaps even better. Half a century away from our last world war, the Canadian Forces lack experience of war. We know that prolonged exposure to danger does serious psychological damage but we have no real antidote beyond the old ones: training, discipline, esprit de corps and prompt replacement when symptoms show.

Veterans of old wars offer consistent advice to later generations. Don't trust to miracles. Wait for corroboration before you accept war stories. Don't pass judgment without facts. Remember Churchill's advice about the old man who confessed at the end of a long life that he had had many worries, most of which had never happened. If that's too much to ask of Canadians, remember what we are asking of Canadian men and women over there. And, remembering that great imperialist, Lord Salisbury, water the wine that experts offer you.

The appreciation of the meeting was expressed by Bart J. Mindszenthy, APR, FCPRS, Partner, Mindszenthy & Roberts Communications Counsel and Director, The Empire Club of Canada.

Mary Byers, Author and Historian and Honorary Director, The Empire Club of Canada and Nona Macdonald Heaslip, Vice-President, Theatre Museum Corporation, Former Board Member, Shaw Festival and Banff Centre for the Arts and Past President, The Empire Club of Canada.

Catherine Steele, Vice-President, Public Affairs and Corporate Communications, Hoffmann-La Roche Limited and Past President, The Empire Club of Canada and Debbie Testa, Administrator, The Empire Club of Canada.



April 18, 2002

Bill MacKinnon

Chairman and Chief Executive Officer, KPMG LLP

POST ENRON: ACCOUNTANTS AND ACCOUNTABILITY

Chairman: **Bill Laidlaw**
President, The Empire Club of Canada

Head Table Guests

John F. Bankes, Managing Director, Artemis Management Group Inc. and Past President, The Empire Club of Canada; Blake C. Goldring, CFA, President and CEO, AGF Management Limited and Director, The Empire Club of Canada; Shannon Culver, Student, Etobicoke Collegiate Institute; The Reverend Dr. John Niles, Victoria Park United Church; Karen Maidment, Executive Vice-President, Bank of Montreal; Colleen Moorehead, President, ETrade Canada; David Smith, President and CEO, The Canadian Institute of Chartered Accountants; John C. Koopman, Partner, Heidrick & Struggles and 2nd Vice-President, The Empire Club of Canada; Marie Oswald, Vice-President, Investigations and Enforcement, Market Regulation Services; Axel Thesberg, Senior Professional Partner, KPMG LLP; and David A. Brown, QC, Chair, Ontario Securities Commission.

Introduction by Bill Laidlaw

There are a number of incidents that block our society... wars, weather, terrorism, sacks, government scandals and corporate failures. We certainly have had our fair share of these events in

Canada and in the world. Not only do they impact us here in Canada, but what happens anywhere in the world has a potential effect on all the nations of the world. We are getting more and more closely linked. The issues that affect us most are those that affect our pocketbook. Those issues of interest today impact the stock market and our life-savings and pensions. So people are more concerned than ever with these world events.

In terms of major corporate events there are a number of checks and balances in the system to monitor the activities of corporations. Governments appear at one point to be looking at more self-regulation, while at the same time introducing more regulation. We certainly have enough regulatory bodies. Nothing more amorous or more sacredly profound is the relation between a corporation and its external accounting firm. It is a trust under which an entire system of business evolves. As we know that system breaks down on occasion with disastrous consequences. The most notable case is the case of Enron, which has so badly shaken its business around the world and the accounting firm that has served it. We have been reading on a daily basis the events of the Enron case, and it has become as fascinating as Watergate.

Today we are very fortunate to have as our guest Bill MacKinnon, Chairman and CEO of KPMG. Few people are as well equipped to comment on the current state of affairs in accounting and how this event south of the border will play out here and in the rest of the world.

A little bit about our speaker whom I have just met today.

Prior to becoming Chairman, Bill was the Vice-Chairman of Macklin Consulting and the managing partner for KPMG's Toronto office from 1988 to 1993. Since becoming a partner at KPMG in 1977, Bill has been the engagement partner for a number of major accounts, including Rogers Communications Inc., the Toronto Dominion Bank and TSN. Throughout his accounting career Bill has been an active member of the Institute of Chartered Accountants of Ontario. From 1975 to 1985 he was a lecturer and served on the ICAO's education committee.

Originally from Winnipeg, Manitoba, Bill completed his Bachelor of Commerce degree at the University of Manitoba in 1967. He went on to receive his Chartered Accountant designation in 1971 and was appointed a Fellow of the Institute of Chartered Accountants of Ontario in 1994. That's a lot of accounting Bill.

A strong believer in community service, Bill has served as Treasurer and Director for the Canadian Stage Company for almost a decade and was the Stage's Company President and Chairman from 1997 to 2001.

And I was saying to Bill when we came in, I've had a number of volunteer experiences myself and if it wasn't for KPMG and all the volunteer partners that help out I don't know where the volunteer sector would be today.

In addition he has served on the United Way Cabinet Campaign and served as Co-chair, Special Gifts Group, for the Salvation Army's Circle of Caring Campaign. We are indeed fortunate to have with us today Bill MacKinnon as our guest speaker.

Bill MacKinnon

Thank you to the Empire Club for allowing me this opportunity to put on the record my thoughts on reform of the accounting profession.

And my thanks to my colleagues at the head table who have joined us today.

Last month, the Wall Street Journal declared the era of bean counter jokes to be passé. According to the Journal, we are now regarded as sexy!

Even the jokes are becoming more topical. According to a cartoon in the New Yorker, a woman in a bar says to a friend, "Being an accountant gives him that extra aura of danger."

This confirms what we already knew: yes, we are sexy. However, this recognition came about in a hell of a way.

I am here to talk about what I think it will take to improve the public's trust in us, the financial accounting system and the capital markets.

It is a truism that those of us who practice accounting and audit public companies are critical to a credible, functioning financial system.

It is also abundantly clear that the vast majority of the time we do our job very well. But are we capable of improving and moving forward in the interests of all stakeholders? You bet. Do we need to? Absolutely yes.

The collapse of Enron has been likened to "the perfect storm."

Many factors converged to create this storm, including economic conditions, a flawed business model, problems with current accounting standards and a failure of corporate governance. The roles of management, directors and auditors have also been called into question.

However, unlike weather systems over which we have no control, we can do something about the weak or inadequate systems that allowed the rise and fall of Enron.

And in doing so restore confidence and credibility in financial reporting—which, after all, is the cornerstone of our capital markets.

Many have come forward with ideas for reform. We have heard everything from: "take responsibility for audits away from private accounting firms altogether and give it lock, stock and barrel, to the government"—this an early recommendation from The Economist—to the suggestion of Financial Post columnist Terrence Corcoran that auditing become "a private decision and a competitive business, controlled by directors charged with looking after shareholders." Regulators would not be welcome in his scenario.

Needless to say, we don't agree with either extreme, and we don't believe in quick fixes to complex problems.

For the next few minutes I'd like to focus on six issues that KPMG, my colleagues in the other major firms, and the Canadian Institute of Chartered Accountants believe are important in this debate. They are:

- public oversight of our profession;
- accounting standards;
- the financial reporting model;
- reporting transparency;
- the role of the audit committee ; and
- our business model.

To start, the issue of public oversight.

I want to emphasise that we already have strong public oversight of accounting standards in Canada. The Accounting Standards Oversight Council (AcSOC) was formed as an independent body two years ago to oversee accounting standards setting. This council includes people from both inside and outside the profession who have an oversight role in the development of standards. By far the majority of the members of the council are individuals who are not members of our profession. The council has formed a subcommittee to address the implications of Enron and we support this initiative.

Even so, we do believe the profession needs greater public oversight of audit standards and audit quality. Up until now, the public accounting profession has largely been self regulated in these two areas. This model is no longer acceptable. It's clear that we need greater public oversight here and I am pleased to report that we are already moving very quickly to put this oversight in place.

David Smith, the President of the Canadian Institute of Chartered Accountants, who's here at the head table, has advised that the profession, in consultation with regulators, will soon present new proposals to establish an independent body that will provide a more rigorous review of the firms that perform the vast majority of public company audits.

I believe investors can feel confident we have heard their concerns and we are responding.

Now to the second issue—accounting standards.

Canadian accounting standards are, in certain ways, different from those in the U.S. and other jurisdictions. Those differences, we believe, make it less likely that an Enron-like event could happen here.

Canada has in place what is largely a principles-based system of accounting standards. The CICA's Accounting Standards Board is responsible for identifying sound principles. When making decisions about accounting treatments, the members of the CA profession are required to exercise professional judgment based on those principles.

The U.S. has a different system. There, accounting standards have evolved into a set of detailed and prescriptive rules. Accounting decisions are made based solely on these rules—which can encourage the attitude of "show me a rule that says I can't do that."

We believe that the rigid application of rules is no substitute for the informed professional judgment of a qualified auditor—the approach we use here in Canada.

But this approach to standard setting is under pressure. As David Brown of the OSC has highlighted, the convergence of North American business has started to change our approach in Canada. More and more, we have been seeing rules-based accounting standards as Canadian standard-setters attempt to harmonise with U.S. GAAP. As these pressures continue, I believe we need to ensure that we continue to have the right principles in place for our accounting standards.

For the future, we hope that the profession globally will be moving more closely to the standards proposed by the International Accounting Standards Board. The IASB is now a key player in restoring confidence in the system. We support the IASB's project to create a common global standards framework that incorporates "the best of the best" from countries around the world.

However, the challenge in Canada is that the U.S. is our largest trading partner. So, even though we need to preserve and enhance a principles-based approach, we must not create accounting standards that disadvantage Canadian companies in the U.S. capital markets. As accounting standards evolve, managing this relationship will be a delicate balancing act for us.

Now to the third issue—the current model for financial reporting.

Today's model is based on point-in-time corporate reporting and after-the fact review of that reporting by an independent third party: the auditor.

To restore long-term confidence in the system, we believe this model needs to be transformed.

Today, reporting focuses on the financial flows that underpinned industrial-age companies. The model is based on hard assets: bricks and mortar, machinery. That was how all companies made money up until about the 1970s. The old time reporting system worked fine because the hard assets didn't pick up and leave abruptly.

But this system does not provide enough information or the right information to accurately describe modern day corporations. Such companies have huge assets, including their intellectual capital, people and technology, that are not included on their balance sheets.

Their performance and potential is revealed in key performance indicators—not all of which are included in their financial statements.

Furthermore, today's audited financial statements are issued annually—and typically two months after year-end. That's not good enough any more. Today, the market reacts to information daily, if not hourly.

And for that reason, retrospective analyses of performance must give way to real-time reporting. Once real-time reporting is in place, there must be real-time auditing based on error prevention rather than after-the-fact detection.

But let me say that improving the financial reporting model is not something we can do overnight. The problem does not lend itself to a quick fix. It will take a lot of hard work by all stakeholders: the regulators, the auditors, the issuers and, of course, the users in the investing community.

Moving on to our fourth issue. As this work to create a new financial reporting model proceeds, we believe we all need to focus on improving transparency in financial reporting to better inform investors about risks and opportunities inherent in business operations.

It's one thing to call for transparency, but getting there will be hard.

For example, we currently lack robust standards for financial information disclosed in press releases. Those popular vehicles for communicating financial results have, in some instances, a habit of putting the best spin on a tough quarter or year.

We have seen alternative financial data such as pro forma earnings, cash earnings, and such being used as either supplements, or preferred disclosure options, to GAAP. Some of these disclosures are good and provide useful information. But we need to ensure that we do not invent a new disclosure standard which some label "EBABS," or earnings before all the bad stuff.

Auditors need to play a role in improving reporting transparency. A simple suggestion: have the audit committee and the auditor review the press release. Why not ask those who sign off on the audit to make sure that the headline and lead paragraph provide a balanced view of the results?

Or at a more complex level, auditors could be asked to provide an opinion on a company's quality of disclosure—on the basis that the shareholder has a right to know the strength of the financial foundation on which the public company rests.

The problem with these kinds of proposals is that, currently, there are no standards that define and mandate reporting transparency. We, the auditors, currently have responsibility for reporting on the financial statements only; we can't dictate what kind of additional information public companies should provide. That responsibility lies with the securities regulators. The solution is a dialogue between regulators, companies, ourselves and the user community to determine what kinds of disclosures are important.

The fifth issue—the audit committee. On this subject a great deal has been said and written. Virtually every audit committee meeting these days revolves around the question, "How do we make sure this—meaning Enron—doesn't happen here?" Such discussions are an important step since these participants constitute a three-part system of responsible disclosure and active oversight.

The first part is management—the people responsible for the company's financial reporting process and internal control structure. This includes understanding, assessing and implementing policies to mitigate risk.

The independent external auditor is second. The auditor is accountable to the shareholders, the board of directors and the audit committee and is responsible for auditing and reporting on the financial statements. The assessment of the system of internal controls is an important part of the audit process.

Finally, the audit committee, which should be made up of independent directors, who oversee and evaluate the company's financial reporting process and internal control structure and evaluate the independence and effectiveness of the external auditor.

Independence and financial literacy are the two most essential characteristics required of the audit committee. But I would add toughness as well. How else to ensure that management doesn't dominate the audit committee agenda?

A few weeks back, Bob Herdman, Chief Accountant of the SEC, had some very insightful things to say about the role of the audit committee. He advised audit committees not to rely on what is put before them. In his words, "Analyse it, throw a couple of rocks at it, kick it around."

I think that's great advice. It sums up the role that the audit committee needs to play—the role of a sceptical inquirer: a knowledgeable, independent voice that is not afraid to ask the tough questions of management and the auditors, a body that has the confidence to challenge, is actively engaged, and works to get at the real implications of accounting policies, disclosures and judgments.

I could go on at some length about this subject. But let me say that, based on my experience in working with audit committees, the people who serve on these committees do continually seek to enhance the effectiveness of their oversight role.

The last issue I promised to address was what I am calling the "business model" of the accounting firms. That is a nice way of getting in to the touchy question of CA firms providing non-audit services to their audit clients.

This issue has received plenty of air time in the public debate over auditor independence. One thesis is that an audit firm can potentially lose its independence if it is providing non-audit services to the companies it audits.

In February of this year, we announced our support for the SEC's proposed rules prohibiting the provision of financial systems design and implementation and internal audit outsourcing to audit clients. This proposal has received the support of the major accounting firms and all have sold or are in the process of disposing their consulting units.

However, some believe the regulators need to go further, and prohibit auditors from providing all non-audit services, such as risk assessment, tax, forensic and accounting advice, to their audit clients.

We don't believe that kind of prohibition on specialised services would serve the interests of investors. We believe that audit firms should continue to provide some specific non-audit services to clients.

Why? Well, in the first place, these days an effective audit requires the involvement of specialists. Without tax, IT, forensic, and financial risk management expertise, it would not be possible to complete an audit properly. These services deal with overall business risk issues. The audit firms need to have a business model that enables them to draw on them.

Often the company's auditor is the best choice to provide certain kinds of advice, as they know the company and its issues best and therefore are in a better position to understand the full implications of a transaction in the context of the business's activities.

For example, the auditor will be aware of similar transactions in a subsidiary or about corporate interrelationships that might affect a transaction's substance or that three years ago that company tried to do something exactly the same and the answer was "no." The auditor has institutional knowledge to put the transaction in context.

Moreover, the audit firm has internal checks and balances in place to ensure that transaction structures are appropriate.

At KPMG, for example, on every audit we require a mandatory independent review by a concurring partner who otherwise has nothing to do with the engagement. He or she must be satisfied with proposed accounting treatments and if not, he or she has the right to require that a change be made.

We also have a national professional practice group that provides an independent review of complex accounting treatments. These reviews are even more rigorous than the profession's quality control standards. Our professional practice people are empowered to require accounting changes if they do not agree with the decision made by an engagement partner.

We believe the appropriate approach for a company to take in purchasing non-audit services is as follows: first, consider the type of service; then consider who might best provide the service; third, ensure that the right controls or review procedures are in place to ensure that the service is completed properly; and finally, have the non-audit services subject to ultimate approval by the company's audit committee.

We also believe that the move to disclose all fees paid to a public accounting firm by its clients—separating audit and audit-related from other services—is an excellent idea. It is a sound recommendation and one that will serve the public good. Very often public disclosure of what is being done is the best solution to ensure that the activities are balanced and within the company's best interests.

Some have argued that providing additional non-audit services creates potential for an auditor to become economically dependent on a particular client.

We don't believe economic dependence is an issue for any of the major Canadian audit firms—and certainly it's not at KPMG. Today no single audit client of ours represents more than 1 per cent of our total revenue in Canada—no matter what services we provide. The cost to us of losing the revenue from any one audit client is totally insignificant compared to the potential cost of losing our credibility in the marketplace.

So, to sum up, the failure of Enron has produced many excellent proposals for making our audit system work better for all of us: companies, regulators and users of financial statements. It certainly helped to move some important items from discussion table into action.

Before I close I would like to take a couple of minutes to speak to a couple of personal observations. First, to my colleagues at Andersen. I don't want to in any way diminish the very terrible consequences of Enron to its employees, creditors, shareholders and its pensioners. I am certain from a financial and emotional point of view the consequences have been devastating. However, I also believe the consequences to Andersen, its employees, its partners and its clients have been very difficult. They have our best wishes, and I hope that this works out as well as it possibly can for them.

Finally, I am very proud of my profession. I have been a CA for 31 years. Public accounting is a great profession full of honourable people—people of integrity, people of goodwill, people who work very hard at doing the right thing. Nonetheless, I understand that we need to challenge what we do, with a view to doing it better. We need to be very responsive to criticism and ensure that we change—and we will.

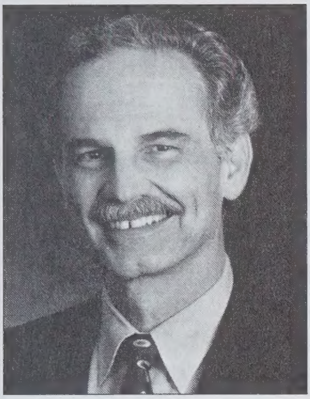
We believe the approach we are taking to improve public accountability, financial reporting, the transparency of the reporting model, auditor independence, improving the quality and approach of the audit committee, and how auditing standards and accounting standards are created will go a long way towards dealing with these issues. We need to focus on these initiatives and ensure that we deal with them fully and quickly.

The 68,000 members of Canada's CA profession recognise that we are an integral part of the capital market system that is vital to our economic well-being. You have my commitment that we at KPMG, working with our colleagues in the other accounting firms, regulators, clients, shareholders and other interested parties, will fulfil our role to the high standards expected of us.

Thank you.

The appreciation of the meeting was expressed by John C. Koopman, Partner, Heidrick & Struggles and 2nd Vice-President, The Empire Club of Canada.

LCol. A.G. (Sandy) Cameron, OStJ, CD, AdeC, Senior Aide de Camp to the Lieutenant-Governor and Director, The Empire Club of Canada and Bill MacKinnon, Chairman and CEO, KPMG LLP.



April 25, 2002

George J. Heller

President and Chief Executive Officer, Hudson's Bay Company

THE CHANGING CANADIAN RETAIL LANDSCAPE

Chairman: **Bill Laidlaw**
President, The Empire Club of Canada

Head Table Guests

John C. Koopman, Partner, Heidrick & Struggles and 2nd Vice-President, The Empire Club of Canada; Reverend Bill Middleton, Armour Heights Presbyterian Church; Patty Dimond, Former Director, Mothercare plc (United Kingdom); Harry Rosen, Executive Chairman, Harry Rosen Inc.; Dr. Claude Lajeunesse, President, Ryerson University; Diane Brisebois, President and CEO, Retail Council of Canada; Ann Curran, Director, Corporate Development International and 1st Vice-President and President-Elect, The Empire Club of Canada; Len Kubas, President, Kubas Consultants; Gareth S. Seltzer, President and CEO, TWS Petroleum Limited and TWS Private Management and Past President, The Empire Club of Canada; Peter Sharpe, President and CEO, Cadillac Fairview; and Bev Crone, General Manager, Retail and Distribution Industry, IBM Canada.

Introduction by Bill Laidlaw

The retail industry in Canada has played a major role in the lives of most Canadians. When you think of it, you work in order to purchase goods and services to allow you to carry on working, to provide for your family, and to enjoy yourself. Where do you go to get the supplies to carry out those things? Well the answer is pretty clear. "Retail."

In Canada we have had a number of stores to shop in, many of which have gone out of business or have been merged with other retailers. Someone growing up in Toronto in the 50s went to Eatons, Simpsons or Morgans. Well you know what happened to them!

Morgans was the first to be taken over by the Bay which gave the company a stronger presence in Ontario and Quebec. Next was Simpsons again by the Bay. Then we had the fall of the grand old Eatons.

Today there are only a few large retailers remaining. They are the Bay, Sears, Walmart and Canadian Tire and some other large box stores that are growing daily. What is the future of Canadian retail?

I selected our speaker today as the last speaker in my term as president because I wanted to hear a Canadian business leader discuss a profound issue—the future of Canadian retail.

I must admit my closeness to this issue as the Hudson Bay Company was the first company to offer me a full-time job. I had commenced my retail career as a haberdasher at the Skyline Hotel during the evenings and summer in high school, but my first major job after teaching was at the Bay.

I remember training at the main store on Bloor. We were then in the process of acquiring Simpsons and before we knew it we were acquired ourselves by Thompson. I went through the Hudson's Bay retail management training programme and I remember very well the long hours at my first store in Eglinton Square.

I can honestly say that I have never learned as much in my life as I did at the Bay. Sadly, I eventually left for a position elsewhere but I have continued to follow the progress of this great giant of a retailer.

Today we are going to hear the perspective of the President of the Hudson Bay Company. From his vantage point he has a perspective better than most to view how retail is progressing in Canada and to see as well the clouds on the horizon and how to deal with them.

Our speaker today has the responsibility of overseeing the Bay's main operations including its main retail divisions—Zellers and the Bay.

George's retail experience spans almost 30 years. He has held senior positions in Canadian and international retailing before joining the Hudson Bay Company.

He began at the Bay working with the northern stores division and moving from there to positions with the Bay, Simpsons, Zellers and Woodwards.

From 1991 to 1994 he served as President and CEO of the Victoria Commonwealth Games and in 1995 he became President of Bata Industries Ltd. in North America and Europe before taking the position of President and CEO of K-Mart in 1997.

He rejoined the Hudson Bay Company when he was appointed President and CEO of Zellers and Executive Vice-President of Hudson's Bay Company, following the Hudson's Bay Company's acquisition of K-Mart in 1998.

George was awarded the meritorious service medal and citation in 1997 by the Government of Canada in recognition of his leadership of the Commonwealth Games and his service to Canada. He also received an honorary doctorate from the University of Victoria for his leadership of the Commonwealth Games.

Please join me in welcoming our guest—George Heller.

George Heller

Thank you for that very generous introduction. Thirty-five years ago, I was seduced by Lady Retail, a cruel yet beautiful mistress whom I continue to serve today, somewhat wiser, no less infatuated.

There have been major changes in retail over the past decade. There has been a great deal written about what happened, and little if anything about why.

I thought I could add some value by discussing the Canadian retail industry, including Hudson's Bay Company, in terms of why things change, the outcomes of the changes, and a look forward. Few retailers have a 300-year history. Adaptation has been our strong suit; I thought I would conclude with how Hudson's Bay Company is adapting to current and future trends.

Contrary to what many people believe, customers change retailers, not the other way around. More precisely, the customer's reality changes consumer behaviour and the best retailers react to those behaviour changes. Retail reflects society, the more accurate that reflection, the better the retailer does. Those retailers who look into the mirror and see only their reflection wither and die.

Based on the premise that changes in consumer's reality ultimately change retailing, here are some key realities Canadians lived through in the '91 to 2001 decade.

This decade was book-ended by two recessions. It wasn't until '93–'94 that Canada fully recovered and by the end of 2000, we were once again headed south economically. We saw job instability, consolidation, globalisation and seismic changes in industry after industry, creating a climate of wariness and, to a degree, scepticism.

Our population grew by 14 per cent; however, the 40–59 year age group grew by 40 per cent. Their changing shopping behaviour and lifestyle had a major effect. We increasingly urbanised with growth in suburbs at twice inner-city growth, and multi- versus single-unit housing grew twice as fast. Almost 80 per cent of population growth was in six cities, with Toronto, Vancouver and Calgary representing 60 per cent of total growth.

Average family income grew by 34 per cent to $64,000, while Consumer Price Index (CPI) rose by 18 per cent, netting most Canadians a modest increase in disposable income, most of that coming in the second half of the decade in review.

Prime rates were 12.25 per cent in January '91, 7.25 per cent in January '96 and 4 per cent in January 2002, and Canadians went on a capital-spending boom financed by debt. Inflation dropped like a stone as well.

Households grew by 24 per cent against a population increase of 14 per cent. This fuelled a boom in big-ticket items as everyone built their nests and then bought cars to get there. Consumer debt rose by 100 per cent while residential mortgage debt grew by 73 per cent.

The two-largest increases in average household expenditure were transportation along with taxes and securities. Not far behind was shelter of all kinds. Durable and semi-durable goods grew well ahead of overall spend and pricing rose ahead of total CPI.

The spend pattern changed; in the same period, clothing sales dropped 20 per cent in terms of average household expenditure and prices rose at one-third the rate of CPI.

Technology and information grew exponentially as costs tumbled and more data and more information became more accessible at bargain prices.

What are the realities that shaped the consumers that shaped retail?

Consumers who in the past few years invested in their home and car financed by debt as rates tumbled became older and warier. More of their disposable income went to capital spending, taxes, recreation and investments, and less on the balance; the home won, the closet lost. The closet lost twice—once as a percentage of spend and the second to price. The average unit price dropped quite a bit.

With higher debt levels and more spend on capital goods, taxes and securities, the older, more cautious consumers needed more value for their remaining dollars. Brands became less important, inherent value more important, and information abounded. It became about good-enough quality versus good quality. It became more about the right price than the right brand. Canadians became less vain and more practical.

So what happened to retail?

The shift in consumer spending favoured price over quality, home over closet, convenience and one-stop shopping became more important as the commute grew and even more women worked outside the home.

Shopping for “me” became shopping for the home and kids, for retirement, making the dollar go further, less vanity, more practicality. The new “digs” and car ate into discretionary spending.

Traditional department stores hit hard times and were absorbed or went under. Where department store type merchandise (DSTM) grew by over 50 per cent, department stores lost 5 per cent. The loss of department stores and specialty chains meant the end of the growth of traditional shopping centres; the last one built was in '91. Power centres, individual big box, category specific stores went freestanding and clustered together in the suburbs, all based on price, most based on home.

A great many familiar retail chains disappeared in the decade—Simpsons, Woodwards, Robinsons, Brettons, K-Mart, Woolco, the Dylex group—to name a few. Even Eatons, who crawled to the finish line of the decade, expires this year. Importantly, notwithstanding this Darwinian epoch, the current chains through a combination of acquisition and organic growth grew in proportion to the overall retail growth about 50 per cent. Not so in the U.S. where chain stores grew significantly slower than overall DSTM. The major change versus the U.S. is the accelerated growth of mass merchants in Canada who grew a lot faster than in the U.S. Canada found religion in price. Wal-Mart, Zellers, Costco, Winners, Home Depot, etc. grew quickly—they better "fit" the customer reality. Even the two surviving department stores grew their volume. The channel collapsed; they didn't. The department store channel will never regain its market share of DSTM; however, department stores in Canada will grow at or near the rate of DSTM.

Online shopping was a promise that never delivered. The business model of bricks and mortar won out; online became an incremental channel to bricks and mortar, leveraging their competencies and customers. Private brands grew and international brands suffered as retailers sought to offer value and price to the 90's customer. The large chain stores sought to increase their volume by broadening their offer, blurring the lines between food/general merchandise and mass/department stores.

Retail got professional, supply chain management was the news, with less merchandise, faster turns and quicker replenishment.

Get good or get lost. Use technology, master logistics, and optimise the supply chain to take out costs so you can sell lower-price merchandise in volume profitably. Sam Walton understood customer reality and responded early, setting the pace.

What's next? In the next decade, population will grow at about half the pace. The bubble of population growth will be in the 55–69-year-old group. The biggest drop in growth will be in the 5–14 year olds. Inflation will remain in check as technology continues to improve productivity and keep the lid on prices.

Spending on home will continue to grow faster than on closet. Consolidation in our industry is about over. In just about every channel, you have today a strong number one and two with a huge gap between them and a number three. The incumbents will branch out into more and other categories, leveraging their competencies. Urban malls other than "A" and some "B" malls will re-invent themselves as power centres. Suburban-power-centre growth will slow and some early ones will fail. New versions of power centres will emerge with lifestyle versus price only. Price as a differentiator will be far less of an issue in the next decade than it was in the last one. The pricing band will continue to contract, the war will shift from price to product differentiation within that narrower price brand. Retailers get it. Marketing will change, high-low will fade, everyday value pricing will be the norm, and ad dollars that were spent on telling customers about price fluctuations will be redirected.

We will see technology continue to improve supply chain, but the real change will be in targeted versus mass marketing. We will move from product in place to customer in market, highlighting and marketing specific goods and services to specific customer groups and individuals based on known behaviours and customer modelling. We will move from what's in the basket to who's pushing the basket and how do I serve them better.

Consolidation meant less consumer choice. The next decade will see retailers going beyond Canada for goods and brands, bringing new brands, new formats, and new products from around the world to combat consumer ennui or boredom. Our society will continue to become more ethnically diverse, less WASP, less northern European, and retailers will respond.

Online shopping will continue to grow from a low base, mainly in unemotional purchases. Health, wellness and recreation along with financial products will grow faster than the average. We will see the beginning of inter-generational transfer of wealth and a gathering spread between the rich and the not so rich. Quality will come back into vogue. Chain stores will grow faster than the total retail growth. The big will get bigger. We will see big and small, no medium. Regional players died in the past decade. The remaining traditional department stores will improve, their average price point will be lower but they will innovate and differentiate at the price band above mass and below designer. They and their vendors will improve their price/value equation, much as mass did, but in the next price band up. There will be a new and closer relationship between department stores and international brand vendors, one that focuses on brand destination, full service, brand extension and profitability. We will no longer have to contend with convulsions of failing department stores.

Four general merchandise and two food merchants basically control the retail real estate. Any new large entrant would have to deal with them or build slowly.

Enough about the industry. What about Hudson's Bay Company? Well, in the decade that saw sales grow by 53 per cent, we grew by 50 per cent. The growth in today's retailers, as well as our own, came primarily at the expense of the unsuccessful. Our growth, while matching overall growth, did not convert adequately to the bottom line for a number of reasons.

Three years ago we decided that it was about the customer, not about us; that the real value to Canadians was the sum of the parts of Hudson's Bay Company; that the parts in aggregate needed to respond to customers and their spend pattern; that we needed to be seamless and aligned, becoming a shopping solution; there for the customer, easy to understand, easy to use. That was to be the HBC of the 21st century—one company serving a common customer in many ways through several integrated lifestyle formats built to match the spending pattern of the customer.

In order to be a shopping solution, integrated, easy, rewarding and complete, we had to transform a poor infrastructure that was built to be anything but seamless, anything but a low-cost customer-centric shopping solution.

Infrastructure is never easy to build and in early going is mostly below the surface, hard to value. We built one customer base, going from two credit cards and three loyalty programmes to one of each, usable in all our lifestyle formats and beyond with lower costs and higher customer utility resulting in a two-point gain in credit-card usage and 1.5 million new loyalty members. We have very rich data on individual customer shopping preferences over Canada's largest shopping basket, Tide to Armani. We lead in customer-relationship management; it will only get better over the next year as all of the remaining five million card members and 8.5 million reward members get their common high utility card, HBC credit, HBC rewards. We are quickly moving from what's in a basket to who is pushing the basket HBC-wide. We will better communicate when, within HBC, individual customers can find what they are looking for, sometimes before they know they are looking for it, using customer modelling. Marketing in HBC will be increasingly customised to offer relevant goods and services to known different customer segments and known shopping behaviours.

Customer shopping habits have changed. They want more home and home-related products. We opened Home Outfitters with 22 now open, and 16 more to be opened this year. Bay and Zellers both expanded their home-related offer, big-ticket items, electronics, appliances, ready-to-assemble furniture, patio and lawn, and children's furniture. Customers want more value and lower prices. Home Outfitters is and Zellers is close to being fully everyday pricing. Bay has its everyday pricing programmes such as Bay Value, Outline, and Market Square. We've built great private brands—Truly, Cherokee, Wabasso, Mantles, Togo, amongst others, offering not only great value, but also quality and fashion ability. HBC works in unison and all merchandising decisions are made with a view to completing the needs of our one customer within HBC and then deciding which channel or channels will be charged with the responsibility of building out the brand, the commodity and the price line—always adding value to the HBC customer, always infilling more of what they need, becoming seamless and becoming a shopping solution. We are building an infrastructure that will enable us to sell the entire HBC assortment at or through any HBC outlet, expanding our reach, optimising our assortment strength and leveraging our distribution channels, including a surprisingly buoyant dotcom.

We had a technology gap—a retail science gap that left us behind the competition in terms of decision support, inventory management and supply chain visibility. We undertook to not only close the gap, but become a retail showcase. We invested heavily both in terms of management and dollars; we are doing nothing less than rebuilding the total technology and process infrastructure to a common enterprise-wide suite of merchandise and financial systems that power all our current formats and those to come—fully scalable and easy to upgrade. With one year to go to completion, we see early results; in-stock at Zellers and Bay is consistently over 96 per cent, inventories coming down each quarter throughout HBC, with less risk inventory, faster turns and more flexibility in open-to-buy. Only now, some three years later, are we spending more time on optimising systems than on installing systems. We're getting to be good scientists with good tools that are only getting better. Our goal of becoming a retail showcase is near.

In retail, it's location, location, location. In the past four years we have closed 136 stores and opened and expanded 198. The real estate infrastructure needed engineering; in certain markets we had too many or too few stores, or they were too small, or not in the right shopping node, etc. We are building the right mix of stores, Bay, Zellers, Home Outfitters by market to ensure the full HBC assortment is in place, in the proper proportion, a shopping solution by market. Not cheap, not easy, but infrastructure projects seldom are.

Our entire management, and increasingly our associates, see themselves as HBC, everyone in each business unit understanding their role in providing a seamless shopping solution, no longer competing, but completing each other for the benefit of the one customer. The close to 70,000 associates of HBC voted themselves into the top-20 companies to work for in Canada.

Where do we go from here? We finish the infrastructure projects and from a base of common, integrated and strategic competencies will build on the win columns.

The connected HBC customer will increasingly see relevance to the merchandise and service offers across the assortment spectrum of HBC. They will experience higher utility of their HBC credit and reward cards with more ease and more convenience as we grow strategically the outlets that honour them. The best customers by format and total HBC will increasingly see an improved value exchange. The more they solve their shopping need within HBC, the more they save and the more they get rewarded. Customer segments will see more marketing geared to what they are most interested in. We will seek and earn a lifelong relationship based on serving them better, and because we know their needs better, because HBC is valuable and relevant to them. The breadth of commodities carried, the price points, brands, and the fashion and taste levels within HBC allow us to uniquely serve the customer throughout their life stages.

As we close and complete the science gap with common enterprise-wide competencies, deal with online, accurate information and modelling tools, and a logistics and supply chain that flawlessly gets the right product in the right quantity to the right store at the right time, we will unleash the art part of the retail equation. We are increasingly spending time on pro-active initiatives versus reacting to issues. The infrastructure building programme is nearing completion and beginning to deliver value, that will accelerate.

We built the infrastructure to connect, know and communicate with each customer served within HBC, and provide a common efficient infrastructure to service our retail outlets in order to grow HBC profitably.

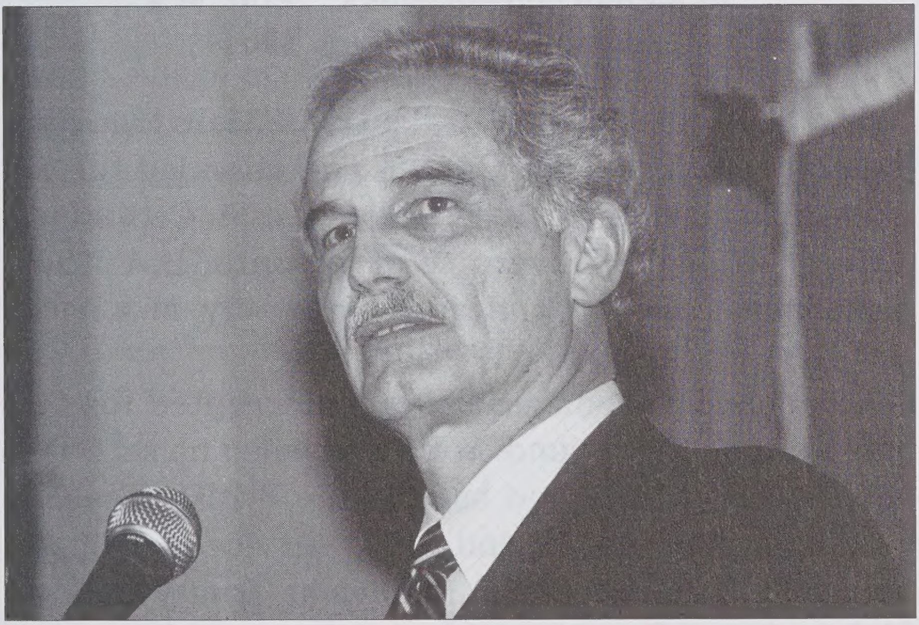
Concentration is now accelerated in building out and optimising each merchandise classification within our current retail channels, ensuring more of known demand by price, by product group, by brand, by style is available, and closing the gaps we created by not being unified, not being customer-centric, and not viewing total market demand.

Home Outfitters is a good start—a targeted offer of in-demand products hooked into our customer and competency grid, fully aligned and leveraged.

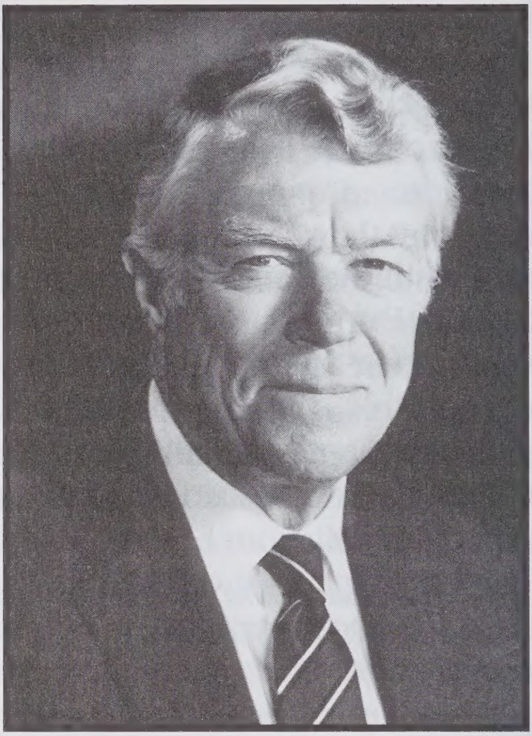
As we continuously infill gaps in goods and services in existing formats, we will also look to add specialised formats where we see marketplace opportunity knowing we have built HBC to be "plug and play," with ever more relevant assortments, sandwiched between a connected customer base we know and can communicate with, and a 21st century set of retail competencies that are scalable and enterprise-wide.

Somewhere along the way we got confused as to what our real value was to the Canadian consumer and how to deliver that value. But no more. We are very clear and focussed on the dot on the wall. We had to transform ourselves to better mirror customer reality, which is never easy, always crucial, and something we learned many times over in the past five centuries of continuous operation, always successfully.

The appreciation of the meeting was expressed by Stanley H. Hartt, President, The Canadian Club of Toronto and Chairman, Salomon Brothers Canada Inc.



George J. Heller, President and CEO, Hudson's Bay Company.



In Memoriam—Angus C. Scott, M.A.
passed away July 5, 2001

Angus Scott was born on August 19, 1925, in Hamilton. He grew up in Dundas, Ontario and attended Hilfield College in Hamilton; Ridley College in St. Catharines; Trinity College, University of Toronto, B.A. 1949; Emmanuel College, Cambridge University, M.A. 1957; and Harvard University, 1960–61.

His academic education was interrupted for two years during the Second World War when he served in the Canadian Navy and later in the British Fleet Air Arm as a pilot. At the end of his service in 1946, he returned to his academic studies at Trinity College, University of Toronto, with the desire to become a great educator. In 1952, he joined the staff at Trinity College School (TCS), Port Hope, Ontario. He became assistant headmaster in 1959 and later in 1962 the headmaster. Angus was not only a faculty member and philosopher, but was well known and respected as an athlete and outdoorsman as Executive Director, Canadian Parks and Wilderness Society.

Angus was a long-time member and director of the world-class and one of the only speaking forums of record in North America, The Empire Club of Canada. The Empire Club benefited from Mr. Scott's participation, first as a member, then as a director beginning in 1985. He held many responsible positions, including Reception Committee Chairman, Archivist and Historian up until 2001. He became an Honorary Director in 1994. The Empire Club provided a chance for Mr. Scott to welcome and meet many of his friends, business leaders, political representatives, leaders of state, and leaders of all disciplines.

With his passing, The Empire Club of Canada has lost an energetic friend and supporter and we pay tribute to Angus Scott for his leadership, friendship and many years of dedicated service to the club.

Edward Paul Badovinac, CET, KH
Director and Chairman of The Empire Club of Canada Yearbook

Annual General Meeting

President's Report

April 25, 2002

Chairman
William D. Laidlaw, President

William D. Laidlaw

Reverend Middleton, distinguished Past Presidents, Board of Directors, honoured guests and members of The Empire Club of Canada. Notice has been given that our Annual General Meeting is to be held on this date and I have asked Ed Badovinac to act as Secretary for the meeting.

In accordance with Article VI, Sub-section 2, of the Empire Club's Constitution, I am pleased to report on the year's activities.

2001–2002 Program and Attendance

It was the spring of 1982 when I moved to a new opportunity at Royal Trust in downtown Toronto. A good friend, Bob Watt, advised me that to broaden my horizons, become exposed to new ideas and to meet new people, I should join the Empire Club. Well, I joined, and I enjoyed every luncheon that year. That was 20 years ago and I have enjoyed being a member of the Club every year of my membership. I have met many fascinating individuals and have made some very good friends. I have also had the good fortune of having heard hundreds of speakers who have educated and entertained me and allowed me to become more worldly wise and, I believe, a more interesting person.

I have certainly put my time in as a member of the Empire Club and as a member of its executive. It was my old friend from Taylor Statten Camp days, David Edmison, who encouraged me to become a member of the executive and to become a President one day. It was indeed an honour to finally be able to serve the Club as your President in the 2001–2002 season after postponing my term due to a career change. Again I want to thank Catherine Steele for stepping in last year and doing such an outstanding job as President.

I have thoroughly enjoyed being your President this year. The Empire Club is an organisation rich in history with so many fine individuals as members and speakers. For many members in the audience it is a truly meaningful experience to hear a certain speaker who will serve as motivation for the rest of their lives. I still remember hearing Ronald Reagan, Margaret Thatcher and Lee Iacocca.

The many Presidents, who served before me, provided me with not only a great deal of advice and counsel on how I should manage the role of President but generally wished me luck and said that their prayers were with me. Well it really was not that bad. I have survived and in fact flourished. The one great asset that I have used throughout my life is my ability to work hard and it has never let me down.

It was a pleasure to approach individuals whom you have always wanted to hear and never had an opportunity to do so. I just wrote to them, called them and they were generally pleased to speak to our Club. Getting speakers was not the problem; that was only the beginning. After that you had to get a head table sponsorship and the head table guests, organise the actual lunch and most importantly get bums in seats in an ever-increasing competitive world.

For the year 2001–2002 a total of 41 meetings were held with almost 8,700 people in attendance. I am also proud to report that the Club raised another record amount of money through corporate sponsorships and student tables. This year's amount was $105,000.00. To all of our sponsors a sincere thank-you for your generosity. As you know we are a not-for-profit organisation and these funds allow us to survive and carry on the work of providing a forum for distinguished speakers.

I felt it was my role to provide the Club with a continuation of the fine speakers who had graced the Empire Club podium in the past. With that in mind, I set about the task of finding interesting men and women throughout the world who would bring to you the best talk in town.

One of my first speakers of the year was my old friend, The Honourable Jean Charest, whom I mistakenly welcomed back to Canada when I meant Ontario. My career as President was not over then but I learned to be more careful and less nervous. We had a large number of politicians from a number of jurisdictions across Canada and the world. Our Ontario provincial leadership series was a great success with four of the five contenders appearing. Elizabeth Witmer, and Messrs. Clement, Eves and Flaherty gave us an excellent account of what they would do as leader. Premier Mike Harris and John Snobelen were distinguished speakers and on the Canadian federal front we had the Leader of the Official Opposition, Stockwell Day.

On the international front we were graced with Jane Kennedy, Minister of State for Northern Ireland, His Excellency Mr. Jean-Claude Juncker, Prime Minister of Luxembourg, and the President of the Republic of the Philippines, H.E. Gloria Macapagal-Arroyo. Lastly we had our Canadian Ambassador to France, Raymond Chrétien entertain and enlighten us on Canada's relationship with France and Europe.

On the business side we were blessed with numerous fine speakers, including Gaylen Duncan, President of ITAC, Ian Gillespie, President of the Export Development Corporation, Richard Brown, Chairman and CEO, EDS Worldwide, Dr. Robin Jeffery, Executive Chairman, British Energy, Nicholas Le Pan, Superintendent of Financial Institutions, Mark Bruneau, President of Adventis, Alain Batty, President of Ford Motor Company of Canada, Michael Dell, Chairman and CEO of Dell Computer Corporation, Derek Oland, President of Moosehead Breweries, Bill MacKinnon, Chair, KPMG Canada, Norman Inkster, President, KPMG Investigation and Security Inc., and lastly George Heller, President, Hudson's Bay.

On the broad area of culture we enjoyed hearing from a variety of speakers including Mark Starowitz, Executive Producer of "Canada, a Peoples History," Peter Herrndorf, Director General, National Arts Centre, and Jeffery Simpson, of The Globe and Mail on our political leadership. Rod McQueen on Martha Billes, Rex Murphy, national columnist and CBC commentator on the state of our affairs in Canada, Douglas Blakey, Principal of Upper Canada College, former Ontario Premier Bob Rae on the Toronto Symphony, and Professor Desmond Morton on Canada's military.

Joining us as well were David McKinnon, President of the Ontario Hospital Association, The Honourable Margaret Norie McCain on Toronto's "Early Years" study, and Prince Michael of Kent. We continued with the very popular Annual Financial Forum run by Board members Blake Goldring and Margaret Samuel. The speakers were Michael McHugh, Jonathan Wellum and John Arnold. The Christmas luncheon was another great success chaired again by Her Honour, Hilary Weston and we presented our Community Services Award to Jill Mallett.

As you can see we had a very busy year and our members and guests were graced with another superb group of speakers.

Membership

Total membership for the year 2001–2002 including honorary life members, life members, spousal, regular, student, senior and head table guests was 1,120. The financial statements for the year ending April 30, 2002 will be presented to the Board of Directors.

Foundation

On behalf of the Directors of the Empire Club, I extend our appreciation to David Edmison, Chair of the Foundation, for his work in producing the yearbook, listing our speakers' addresses in our historical record.

In Memoriam

I want to recognise the passing of Angus Scott, a long-time Director and friend of the Empire Club for his service and support of the Club.

Appreciation

I do want to thank particularly all of those members of the Board of Directors who assisted me this year and helped me organise particular luncheons. I want to especially thank John Koopman, Vice-President of the Club for the superb job he did in organising all of the head tables and the sponsorships this year. Without John's help we would not have had the excellent year that we had. I also want to thank Ann Curran, our President-Elect for her efforts in supporting me and our Club with so many luncheons and wise counsel.

The staff at the Club was put under increased pressure this year because of decreased volunteer help compared to past years. I gave them a great deal of work to do and I am sure I stressed them out a number of times, but at all times they rose to the occasion. Both Debbie Testa and Colin Wickham did a superb job and without their efforts we would not have had the fine luncheon events we had. I would also like to thank the volunteers who helped me every luncheon to organise the head table reception, the greeting of guests and the many other tasks associated with the management of these luncheons. These individuals, not in rank order, are Ed Badovinac and his wife Jocelyn, Willis Blair, Sandy Cameron and Bill Duncan. I will miss their good work, their sense of humour and their company when I step down. I also want to thank the other members of the Executive, Jocelyne Côté-O'Hara, Alex Squires and Kevyn Nightingale, for their hard work and guidance.

I want to thank the staff of the Fairmont Royal York Hotel for all of their hard work and excellent service, the staff of Rogers Communications who manage the broadcast of each of our luncheons and make it possible for so many Ontarians throughout our province to enjoy our luncheons with us. I want to thank my employer, St. John Ambulance, for allowing me to take the time from my work to serve as your President. As well, I wish to thank Paula Anglin, my assistant, for helping me with my introductions.

I would also like to thank my wife, Sara, for her support and encouragement, my daughters, Kate and Liz, who watched me regularly while away at school and who provided wise counsel telling me to stand up straight, stop mumbling, slow down and stop looking so old. Lastly, my mother, Tim Laidlaw who has made a habit of watching each luncheon and encouraging all of her many friends to tune in and who thinks whatever I do is just terrific.

It has been an honour to serve you this year as your President. It was an experience that I will treasure for the rest of my life.

I do wish my successor, Ann Curran all of the best of luck for her year and as my predecessors said: "My prayers are with you."

I move the acceptance of this President's Report. May I have a seconder? (John Koopman seconded the Report.)

I now call upon Gareth Seltzer, a Past President of the Empire Club of Canada, to present a report on behalf of the Chairman of the Nominating Committee.

Respectfully submitted,

William D. Laidlaw
President

Report of the Nominating Committee

April 25, 2002

Gareth S. Seltzer

Mr. President, fellow directors, distinguished guests, members of The Empire Club of Canada, it is my pleasure, on behalf of the Chairman of the Nominating Committee, Catherine Steele, who is unable to be here, to report on the work of the Committee which was constituted in accordance with Article III of the Club's Constitution.

Nominating Committee

The Nominating Committee was struck in accordance with the Constitution of the Club and included the Directors:

Bill Laidlaw
George Cooke
Gareth Seltzer
John Koopman
Sharon Rudy

Honorary Officers

The Nominating Committee is pleased to report that the Honorary Officers nominated for the 2002–2003 season are as follows:

Honorary Chairman
The Hon. Henry N. R. Jackman, CM, KStJ, BA, LL.B., LL.D

Honorary President
Her Excellency, The Rt. Hon. Adrienne Clarkson CC, CMM., CD
Governor General of Canada

Honorary Vice-President
The Hon. James K. Bartleman
Lieutenant-Governor of Ontario

Honorary Chaplain
The Rt. Rev. Terence E. Finlay

Honorary Secretary
The Hon. David Crombie

Honorary Treasurer
Hartland M. MacDougall, CVO, OC

Honorary Solicitor
The Hon. William G. Davis, PC, CC, QC

Honorary Directors

It is the recommendation of the Committee that the following serve as Honorary Directors: Leland H. Ausman, Willis L. Blair, Mary. R. Byers, The Hon. Barnett J. Danson, PC, Major William A. Duncan, CD, A. Carlyle Dunbar, Montague Larkin, CA, William J. McCormack, CA, Larry Stout, and J.A.William Whiteacre, MM, CD, QC.

Directors

According to the Club's Constitution "the Board of Directors shall consist of forty members ... including at least four Past Presidents of The Empire Club, one of whom shall be the immediate Past President and three others shall be the three Past Presidents immediately preceding the immediate Past President..."

Therefore, in recognition of this constitutional requirement, the Committee nominates the following Past Presidents as Directors of the Club:

the immediate Past President, William Laidlaw

and also Catherine Steele, Robert J. Dechert and George L. Cooke.

Furthermore, the Nominating Committee recommends that the following members of the Board of Directors continue to serve in the coming year:

David Agnew
Edward P. Badovinac, KH, CET
The Rev. Kim Beard
LCol. A.G. (Sandy) Cameron, OStJ, CD, AdeC
Diana L. Chant, CA
Charles S. Coffey
Heather C. Devine
Blake C. Goldring, CFA
The Hon. Thomas Hockin, PC
Duncan N. R. Jackman
Anne Fotheringham
David L. Lindsay
Malcolm J. MacKillop
David J. McFadden, QC
Rev. Dr. John Niles
Sharon Rudy
Margaret Samuel, MBA, LL.B., CFA
Ken Shaw
Catherine S. Swift

Resignations

I would like to take this opportunity to pay tribute to George Anderson, Sam Billich and K.Y. Ho for their contribution to The Empire Club of Canada. They will not be standing for re-election. All have been of great service to the Club and we are grateful to them. I would also like to express our appreciation for the service of the late Angus Scott, who faithfully serviced this Club in a number of capacities including Archivist and Historian.

New Directors

The Nominating Committee is pleased to nominate the following new members for the Board of Directors:

Fiona Blondin
Verity Craig
Heather Ferguson
Fred Gorbet
Doug Morris
Harry Swain
Sean Webster

Officers

In addition to the above-mentioned nominees, the Committee recommends the election of the following three people who will be proposed to the Board of Directors for appointment to the positions of Vice-President and Director:

1st Vice-President and President-Elect
John Koopman

2nd Vice-President and Director
Bart Mindszenthy

3rd Vice-President and Director
William Whittaker

The Nominating Committee is pleased to report that C. Alexander Squires will continue as Secretary and that Kevyn Nightingale, CA, CPA, has agreed to continue as the Club's Treasurer. Both Alex and Kevyn will also serve as Directors of the Club.

Finally, your Committee is pleased to nominate Ann Curran as President and Director of The Empire Club of Canada for its 2002–2003 season.

Respectively submitted,

Gareth Seltzer

After Gareth Seltzer presented the Chairman, Catherine Steele's, Report, it was seconded by William Duncan. There being no further nominations, Acting Chairman Gareth Seltzer moved that nominations be closed. Willis Blair seconded the motion.

The President then asked the Acting Secretary, Edward Badovinac, to cast a single ballot in favour of those persons named in the Report of the Nominating Committee, in accordance with Article III of the Constitution of the Club.

The President then declared that those members named in the Nominating Committee Report were properly elected as Directors of the Empire Club of Canada for 2002–2003.

He then called the President-Elect Ann Curran to the podium to be installed as the new President.

The Empire Club of Canada

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Mr. & Mrs. Leland H. Ausman
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Joseph Batty
Mr. & Mrs. Ian S. Baxter
Dr. R. C. Bennett
Bruce Birrell
Willis L. Blair
R. L. Broad

Mrs. Charles Carter
Sir Arthur R. T. & Lady Chetwynd
Mr. & Mrs. Elgin E. Coutts
Nola Susan Crewe
Dorothy Crummey
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G. Warren Armstrong
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A. L. Beattie
Ruth Beaucage
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Avie Bennett
Gerard R. Berlinguette
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Trevor Burnett Lewis
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Garth Low
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Daniel Zee
Paul Zink
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Chris Yaccato

Auditors' Report

To the Members of
The Empire Club of Canada

We have audited the statement of financial position of The Empire Club of Canada as at April 30, 2002 and the statements of operations and changes in net assets for the year then ended. These financial statements are the responsibility of the Club's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Club as at April 30, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Ontario Corporations Act, we report that in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

KPMG LLP
Chartered Accountants

Toronto, Canada
Sepember 19, 2002

Financial Report

THE EMPIRE CLUB OF CANADA
Statement of Financial Position

	Year Ended April 30 2002	2001
Assets		
Current Assets		
Cash and short-term deposits	$382,558	$332,848
Accounts receivable	28,585	24,972
Inventory	2,002	2,002
Prepaid expenses	—	1,131
	413,145	360,953
Capital Assets	1	1
	$413,146	$360,954
Liabilities		
Current Liabilities		
Accounts payable	$ 56,871	$ 32,734
Due to The Empire Club Foundation	25,063	25,150
Deferred revenue	1,671	1,054
	83,605	58,938
Net Assets		
Unrestricted	309,365	281,839
Internally restricted for life membership	20,177	20,177
	329,542	302,016
	$413,147	$360,954

Signed on behalf of the Board

Kevyn Nightingale
Treasurer

Ann Curran
President

The accompanying notes are an integral part of these financial statements.

Financial Report

THE EMPIRE CLUB OF CANADA
Statement of Changes in Net Assets for the Year Ended April 30, 2002

	Internally Restricted	Unrestricted	Total 2002	Total 2001
Net Assets, Beginning of Year	$ 20,177	$ 281,839	$ 302,016	$ 275,421
Excess of Revenue over Expenditures	$ —	$ 27,526	$ 27,526	$ 26,595
Net Assets, End of Year	$ 20,177	$ 309,365	$ 329,542	$ 302,016

The accompanying notes are an integral part of these financial statements.

Financial Report

THE EMPIRE CLUB OF CANADA
Statement of Operations

	Year Ended April 30	
	2002	2001
Revenue		
Membership fees	$ 26,178	$ 26,692
Luncheons		
Regulars	45,545	37,354
Specials and joints	(1,300)	11,345
Head table sponsors	77,160	50,150
Other sponsors	24,000	23,050
Interest	9,913	12,517
	181,496	161,108
Expenditures		
Meetings	991	840
Members' notices	18,732	17,681
Office and general	17,080	9,334
Office salaries and employee benefits	67,543	60,718
Printing, stationery and postage	4,186	2,420
Publicity and promotion	2,558	2,080
Rent	12,515	11,786
Telephone	5,364	4,654
Yearbook donation and sundry expenses	25,000	25,000
	153,970	134,513
Excess of Revenue over Expenditures for the Year	$ 27,526	$ 26,595

The accompanying notes are an integral part of these financial statements.

Financial Report

THE EMPIRE CLUB OF CANADA
Notes to Financial Statements
for the Year Ended April 30, 2002

1. General

The Club was incorporated under Letters Patent in the Province of Ontario on March 26, 1912. The principal function of the Club is to provide a forum for prominent people to address members of the Club and their guests on topics of current interest.

2. Summary of Significant Accounting Policies

(a) Revenue Recognition
Revenues are recorded on the accrual basis of accounting.

(b) Inventory
Inventory is valued at the lower of cost and net realisable value.

(c) Capital Assets
Capital assets, consisting of office furniture and equipment, are recorded at nominal value and additions are recognised as office and general expenditures in the year acquired.

(d) Due to The Empire Club Foundation
A donation to The Empire Club Foundation for the estimated cost of supplying the Club's membership with the yearbook of the current year is accrued each year.

(e) Deferred Revenue
Deferred revenue consists of membership fees paid in advance and unredeemed luncheon tickets.

(f) Statement of Cash Flows
A statement of cash flow has not been included as it would not provide any additional meaningful information.

3. Internally Restricted for Life Membership

Term deposits are segregated as funding to provide a continuing income stream to sustain the membership costs of life members.

4. Commitments

The Club entered into a lease agreement for premises expiring September 30, 2003. Minimum annual lease rental payments under this agreement are as follows:

2003	9,800
2004	4,100
	13,900

The Empire Club Foundation

December, 2003

Ladies and gentlemen:

This yearbook is a testament to the ongoing success of the Empire Club to attract speakers of the highest calibre. William Laidlaw is to be commended for a very successful year.

The Empire Club Foundation, thanks to your support, makes these books available to members as well as public and educational libraries across Canada and to Canadian embassies.

The speeches are also available to the public on our website, www.empireclubfoundation.com. These speeches have now been indexed and will allow individuals to access by speaker, title, keyword topic or date of publication. This will provide more user-friendly access and be a valuable resource for researchers.

These initiatives would not be available without the generosity of the many mentors and friends of The Empire Club of Canada. On behalf of the Foundation, I thank you for your generous support.

Sincerely,

David A. Edmison
Chairman

The Empire Club Foundation

Patron

Col. The Hon. Henry N. R. Jackman, OC, CD, KStJ, LL.D

Officers

Honorary Chairman:	John W. Griffin
Chairman:	David A. Edmison, CFA
Honorary Secretary:	William G. Whittaker, QC
Honorary Treasurer:	Richard Goodall, CA
Past Chairmen:	Douglas L. Derry, FCA
	Bruce J. Legge, CMM, CM, KStJ, ED, CD, QC
	Robert H. Hilborn, LVO, MBE, CD
	John A. MacNaughton
	Reginald W. Lewis, CMM, CM, OStJ, CD

Directors

Edward P. Badovinac
John F. Bankes
Mary R. Byers
C. Warren Goldring
Ronald Goodhall, FCA
Frederick L. R. Jackman, CStJ, PhD
Gareth S. Seltzer
Harry T. Seymour

The Empire Club Foundation

CONTRIBUTORS: 2001–2002

PATRONS ($1,000.00 or more)

David A. Edmison
C. Warren Goldring
William and Nona Heaslip
William D. Laidlaw
Hartland M. MacDougall
Jackman Foundation

ENDOWMENT BENEFACTORS ($500.00 to $999.00)

Edward and Jocelyn Badovinac
Douglas L. Derry
Tom Hockin
Allen Lambert
Bruce Legge
The Hermant Family Foundation
Gareth Seltzer

BENEFACTORS ($250.00 to $499.00)

Shirley Crang

Royal Bank of Canada

Jean Moss

R. B. Stapells

T.C. Turner

DONORS ($100.00 to $249.00)

Douglas B. Astley

Sharon Baptista

Sam Billich

Robert L. Brooks

Mary Byers

A.G. Cameron

Dorothea Carter

Michael Deeb

Carlyle Dunbar

Andrew Duncanson

W.L.B. Heath

Kathleen Hermant

V.A. Jupp Estate

The Incorporated Synod of the Diocese of Toronto

A. Irwin

DONORS ($100.00 to $249.00) continued

A.B. Irwin

Mr. and Mrs. Donald Lander

John D. Leitch

Mr. and Mrs. Reginald Lewis

David Spall

Dr. A. Squires

Spencer Stuart

Reginald Stackhouse

Larry Stout

Gunter Strangemann

Gwyne Willmot

Auditors' Report

To the Members of
The Empire Club Foundation

We have audited the statement of financial position of The Empire Club Foundation as at April 30, 2002 and the statement of operations and net assets for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable organisations, the Foundation derives revenue from donations from supporters, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to donation revenue, excess of revenue over expenses, assets and net assets.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the donations referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Foundation as at April 30, 2002 and the results of its operations and the changes in its net assets for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Canada Corporations Act, we report that in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

KPMG LLP
Chartered Accountants

Toronto, Canada
September 6, 2002

Financial Report

THE EMPIRE CLUB FOUNDATION
Balance Sheet as at April 30, 2002 with comparative figures for 2001

	2002	2001
Assets		
Cash	$ 33,475	$ 2,082
Short-term investments	123,143	148,692
Accounts and interest receivable	3,728	4,017
Due from The Empire Club of Canada	25,000	25,000
	$ 185,346	$ 179,791
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	$ 78,350	$ 107,750
Net Assets	106,996	72,041
	$ 185,346	$ 179,791

Signed on behalf of the Board

David Edmison
Director

Ronald Goodall
Director

The accompanying notes are an integral part of these financial statements.

Financial Report

THE EMPIRE CLUB FOUNDATION
Statement of Operations and Net Assets for the Year Ended April 30, 2002 with comparative figures for 2001

	2002	2001
Revenue		
Bequests	$ —	6,931
Donations:		
The Empire Club of Canada	$ 25,000	$ 25,000
Supporters	16,045	32,273
Interest	3,918	6,326
	$ 44,963	$ 70,530
Expenses		
Web page index	500	13,500
Yearbook	8,533	2,113
Stationery, postage and other expenses	975	1,055
	$ 10,008	16,668
Excess of Revenue over Expenses	34,955	53,862
Net Assets, Beginning of Year	72,041	18,179
Net Assets, End of Year	$ 106,996	$ 72,041

The accompanying notes are an integral part of these financial statements.

Financial Report

THE EMPIRE CLUB FOUNDATION
Notes to Financial Statements
for the Year Ended April 30, 2002

1. The Foundation

The Foundation was incorporated on January 22, 1969 under the laws of Canada as a non-profit organisation. The principal function of the Foundation is the publication and distribution of yearbooks, containing the texts of addresses to The Empire Club of Canada, to the Club's members and libraries across Canada. The Foundation's activities are funded by donations.

2. Significant Accounting Policies

These financial statements have been prepared by management in accordance with generally accepted accounting principles.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates. Those estimates are reviewed periodically and as adjustments become necessary, they are reported in the years in which they become known.

(a) Revenue Recognition:

The Foundation includes donations in revenue when received, except for donations from The Empire Club of Canada, which are included in revenue when pledged.

(b) Expenses:

The estimated cost of publishing and distributing yearbooks of the current year is accrued each year.

3. Statement of Cash Flows

A statement of cash flows has not been presented as it would not provide any additional meaningful information.

CONSTITUTION

As amended April 26, 1973

Organisation of the Club

ARTICLE I

Name

1. The Name of the club shall be The Empire Club of Canada.

Purpose and Object

2. The purpose and object of the club is to promote the interests of Canada and the British Commonwealth by the consideration and discussion of subjects and events relating thereto and by any other means appropriate to the facilities of the club.

Membership

ARTICLE II

Classes of Members

1. The membership of the club shall consist of:
   - (a) Honorary members
   - (b) Life members
   - (c) Regular members
   - (d) Corporate members

   All members of classes (a), (b), (c), must be the full age of eighteen years.

Honorary Members

2. Honorary members may be elected by the unanimous vote of those present at a meeting of the board of directors. They shall be exempt from the payment of fees but shall not have the privilege of voting or holding office and their membership shall be terminated at any time by a two-thirds majority of those present at a meeting of the board of directors.

Life Members

3. Members of the club in good standing (other than corporate members) and other persons regularly proposed may be elected life members by a two-thirds

majority of those present at a meeting of the board of directors. Life members shall pay such a fee in one sum as may be fixed from time to time by the board of directors.

Regular Members

4. Save as provided in Section 5 of this Article candidates for regular membership shall be proposed by a member in good standing and shall be elected by a two-thirds majority of those present at a meeting of the board of directors.

Save as provided in Section 5 of this Article regular members shall pay respectively such annual fees as may be fixed from time to time by the board of directors.[1] Members elected after the first day of March in any year shall pay one annual fee only in respect of the period from the date of election until the thirtieth day of September in the following year. No member in arrears for fees after January 1 shall be considered in good standing.

Corporate Members

5. Any company, partnership or business organisation shall be eligible for election as a corporate member. Applicants shall be proposed by a member in good standing and the application shall contain the names and positions of the persons nominated by the applicant as its representative regular members. The applicant and its nominated representatives shall be elected by a two-thirds majority of those present at a meeting of the board of directors. A corporate member shall be entitled to nominate such number of its representative regular members as may be fixed from time to time by the board of directors and shall pay such annual fee as may be fixed from time to time by the board of directors, provided that such fee shall not be

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[1] By resolution of the Board, November, 1981, and under Article II, 4, of the Constitution, it was agreed that the club charge a lesser membership fee for spouses living at the same residence, and that this fee should be fixed annually.

less than the aggregate fees which would have been payable on an individual basis by such representative members for the year in question. Save as in this section provided no fee shall be payable by or in respect of the representative regular members of a corporate member.

Directors

ARTICLE III

Duties and Powers

1. The affairs of the club shall be managed by a board of directors who may exercise all such powers and do all such acts and things as may be exercised or done by the club and are not by the by-laws or by law directed or required to be done by the club at a general meeting of its members. At all meetings of the board of directors the chairman of the meeting shall have a casting vote.

Number and Quorum

2. The board of directors shall consist of forty members of whom sixteen shall constitute a quorum. The board of directors shall include at least four past presidents of the club, one of whom shall be the immediate past president and three others shall be the three past presidents immediately preceding the immediate past president if they are willing and able to act as directors.

Election of Directors

3. A nominating committee consisting of five members of the board of directors and four other regular members of the club shall be appointed annually by the board of directors at least thirty days prior to the annual meeting and shall prepare a list of nominations for directors for the ensuing year. The chairman or acting chairman of the nominating committee shall report the nominations of that committee to the annual meeting at which the board of directors shall be elected, but nothing herein shall preclude the nomination of other persons for the office of directors at the annual meeting. If nominations do not exceed the number of directors necessary, the chairman of the

meeting may instruct the Secretary-Treasurer to cast one ballot in favour of those so nominated and thereupon such persons shall be declared by the chairman to have been duly elected. No person shall be elected a director unless he is a regular member in good standing and is a Canadian citizen or a British subject.

Meetings of Directors

4. Meetings of the board of directors shall be called by the President, or on a requisition signed by three of its members. Written notice of such meetings shall be given to each director five days or more before the meeting is to take place, provided that a meeting may be held at any time if all the directors are present or if those absent have waived notice of or otherwise signified their consent to such meeting being held in their absence or have approved or signified their approval in writing to the proceedings taken at the meeting. The board may appoint a day or days in any month or months for regular meetings, at an hour or place to be named, and of such regular meetings, no notice need be given.

Casual Vacancies

5. In the event of any vacancy occurring in the office of director, the remaining directors may fill the vacancy from among the members for the unexpired portion of the term of office of the person whose office is vacant.

Officers

ARTICLE IV

1. The officers shall consist of an Honorary President, an Honorary Vice-President, a President, First, Second and Third Vice-Presidents, an Honorary Treasurer, an Honorary Secretary, a Secretary and a Treasurer. The board of directors may from time to time elect or appoint such other officers as it shall deem necessary. The President and the Vice-Presidents shall be directors of the club but other officers need not be directors. No person other than the Honorary President and the Honorary Vice-

President shall be eligible for office unless he is a member in good standing. The President shall, when present, preside at all meetings of the members and of the board of directors. During the absence or inability to act of the President, the Vice-Presidents in order of seniority shall act as chairman at such meetings and otherwise perform and exercise the duties and powers of the President.

Appointment of Officers

2. The board of directors shall meet as soon as convenient after their election for the purpose of appointing the officers of the club for the period ending April 30 in the next year but each officer shall continue in office until his successor is elected.

Casual Vacancies

3. In the event of a vacancy occurring in any office the board of directors may fill the vacancy for the unexpired portion of the term.

Honorary Auditor

4. An Honorary Auditor shall be appointed at each annual meeting. An audited statement of the finances of the club for the fiscal year shall be published annually and a copy shall be sent to each member.

Committees

ARTICLE V

1. The following standing committees and the chairman of each shall be appointed by the board of directors as soon as convenient after the election of the board:
   (a) Budget and Finance Committee
   (b) Speaker's Committee
   (c) Membership Committee
   (d) Constitution Committee
   (e) Reception Committee
   (f) Publicity and Public Relations Committee
   (g) Yearbook Committee
   (h) Head Table Committee

   provided that for any year the board of directors may by resolution elect not to appoint any one or more of such committees.

2. The President or the board of directors may from time to time appoint such other committees as may be deemed expedient.

Meetings of Members

ARTICLE VI

General Meetings

1. The club shall hold general meetings weekly, if possible, from October to April, both inclusive, in each twelve months with such intermissions as may from time to time be determined by the board of directors. Special meetings of the club may be called at any time by the President.

Annual Meeting

2. The annual meeting shall be held not later than April 30 in each year. At the annual meeting a report of the year's proceedings and work shall be submitted by the President and this report shall be accompanied by an interim report from the Secretary-Treasurer.

Notice of Meetings

3. Written notice of all meetings shall be given all members of the club before the date on which the meeting is to be held. Such notice shall be sufficient if addressed to the members, and deposited post paid in the post office in Toronto. The accidental failure or omission to give notice to any member shall not invalidate the proceedings at any meeting.

Quorum at Meetings

4. Sixteen members in good standing shall constitute a quorum at any meeting of the club, general, annual or special, and the chairman of the meeting shall have a casting vote.

Limitation of Business at General Meetings

5. No business other than the hearing of the addresses shall be introduced at any meeting of the club by any person

other than the chairman of the meeting, unless it has been submitted to the board of directors and received its approval.

Fiscal Year

ARTICLE VII

The fiscal year of the club shall end on such day in each year as may be fixed by the board of directors but unless so fixed by the board shall end on April 30.

Amendments

ARTICLE VIII

Subject to the provisions of The Corporation Act this constitution may be amended by the board of directors, but unless in the meantime confirmed by a majority of the members present in person at a meeting of the members duly called for that purpose, any amendment is effective only until the next annual meeting of members unless so confirmed thereat and, in default of such confirmation thereat ceases to have effect at and from that time, and in that case no new amendment of the same or like substance has any effect until confirmed at a meeting of the members.

Amendment to By-Law A

The President stated that the Directors at their last meeting had amended the General By-Law of the Club so that the first Vice-President could be designated in the future as first Vice-President and President-Elect. This change was required to be confirmed by the members and accordingly

ON MOTION DULY MADE, SECONDED, AND UNANIMOUSLY CARRIED, it was resolved that the following amendment to Paragraph 1 of Article IV of By-Law No. A be confirmed:

Officers

The officers shall consist of an Honorary President, an Honorary Vice-President, a President, a first Vice-President and President-Elect, Second and Third Vice-Presidents, an Honorary Treasurer, an Honorary Secretary and a Secretary-Treasurer. The Board of Directors may from time to time elect or appoint such other officers as it shall deem necessary. The President, the First Vice-President and President-Elect, the Second Vice-President and the Third Vice-President shall be directors of the Club but other officers need not be directors. No person other than the Honorary President and the Honorary Vice-President shall be eligible for office unless he is a member in good standing.